

# 2022 ANNUAL REPORT

Stock Code **9939**



**Notice to readers**

***This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.***

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# 1. Letter to Shareholders

**Dear Shareholders,**

First of all, we would like to thank all shareholders of Hon Chuan for your steadfast support and encouragement.

Looking back at the previous year, the global geopolitical environment in 2022 was a year marked by turbulence and instability, exacerbated by recurrent surges of the COVID-19 pandemic, global warming threatening the ecology and our living environment, geopolitical conflicts, rising raw materials costs and inflation. All of the above have posed challenges and uncertainties to the business and market environment faced by companies. Under such a rapidly-evolving business environment, Taiwan Hon Chuan remains cautiously optimistic. We have continued to work diligently, actively strive to overcome any challenges and achieve new developments. As demonstrated in our resiliency and competitiveness, we have once again achieved a record high. In 2022, consolidated sales reached NTD\$ 24,696,308,000, increased by 15.50% from NTD\$ 21,382,534,000 in 2021. Profit after tax totaled at NTD\$ 2,277,184,000, an increase of 12.27% from last year's NTD\$ 2,028,358,000. Earnings per share were 7.70 dollars for the year of 2022 conclusively.

The year 2022 was the starting point and catalyst of Taiwan Hon Chuan's key development, where we placed even more focus on "product quality, customer service, international distribution, talent cultivation, innovation and research and development," etc. We have gained remarkable business results through dedication and diligence despite all hardships and challenges. We will continue to improve, focusing on the customer needs, insisting on food safety and quality and pursuing corporate sustainability.

## **Foundation Through Quality**

Valuing product quality and food safety is the Company's primary responsibility. Therefore, we established the Quality Improvement Management Committee in 2022, including members from quality control, manufacturing (including warehousing and transportation), sales, human resources, equipment(mold) improvement, procurement, and auditing to formulate methods and respective responsibilities to reach the quality goals the Company set through cross-department coordination, actions from meetings' resolutions, and subsequent follow-up.

## **Customer Service and Continued Growth**

We shall continue to build long-term strategic partnerships with our customers to create new market opportunities. In 2022, we have been creating tailored innovative business

models for our customers in Taiwan, China and Southeast Asia, meeting their demands through product innovation and manufacturing excellence to increase customers' competitiveness in the market.

### **Global Distribution and Marketing**

In 2022, as the global pandemic gradually subsided, Hon Chuan's business development team traveled to the U.S., Japan, Southeast Asia and Europe to participate in overseas trade fairs and exhibitions, actively visit customers and engage in on-site market studies, and expanded distribution opportunities by combining online and offline sales through e-commerce platforms. In 2022, we planned the set-up of production sites such as Taiwan Free Trade Plant, China Chuzhou 2nd Plant, Zhejiang Quzhou Plant and Indonesia KIIC Plant in West Java, all of which will start commercial operations between 2022 to 2024.

### **Talent Cultivation and Elite Program**

Hon Chuan academy set up an "Elite Program" in October 2021 to carry out professional training plans and introduce a learning platform to meet the demand for group talents in the future.

### **Innovation and Development for Continued Sustainability**

We have continued to develop new products as the main direction to sustain the vitality of the Company. Hon Chuan focuses on its own industry and expands its cross-domain products such as flavoring bottles, dairy bottles, cosmetics bottles and eco-friendly products such as rPET bottles, rHDPE caps and flexographic printing labels.

### **Promoting Corporate ESG**

Taiwan Hon Chuan continues to strive towards our corporate purposes: "acquiring good business reputation, developing global markets, respecting our customers, caring for our employees, and fulfilling our social responsibilities." Meanwhile, we actively promote the aspect of ESG (environment, society, corporate governance) and respond to the Sustainable Development Goals adopted by the United Nations. In 2022, we won the TCSA "Taiwan Top 100 Sustainability Model Corporate Award" and "Enterprise Sustainability Award – sustainability report gold award." In terms of employees – we won the Taichung City Government Happiness Career the ultimate accolade – "Happiness Benchmark Award" and "Five Stars Award" and won the Workforce Development Agency "Gold Award and Honorable Mention Award in Labor Affairs." In terms of the environment – We have been recognized with numerous accolades, such as the "Taichung City Government's Outstanding Public and Private Sector Award for Pollution and Carbon Emissions Reduction Award" and signed the E. Sun Bank's Sustainability Partnership Initiative, declaring our commitment to zero carbon emissions by 2050 and conducting corporate greenhouse gas inventories to move toward the goal of net-zero emissions. In

terms of innovative products – we won Taiwan Association for Food Science and Technology “Innovative Packaging Design – Gold Medal Award and Silver Medal Award” ; also won Taichung City General Industrial Association “Distinguished Innovative R&D Manufacturer.” In terms of society – we continue to participate in social care to give back to society and care for disadvantaged groups to fulfill our corporate social responsibility.

## **Prospect**

The long-term operating direction is to continuously promote the goal of “structural transformation, increase efficiency, reduce costs, foster innovation, deepen cooperation, and improve profitability.” The operation directions of the Company are as follows:

- (1) Structural transformation: continuously promote the aspect of ESG (environment, society, corporate governance) in order to implement comprehensive quality assurance, meet client demand, cultivate talents, optimize the organizational operation and operational efficiency in each plant.
- (2) Increase efficiency: uplift automation processes and introduce Manufacturing Execution Systems to timely mastery of manufacturing information.
- (3) Reduce costs: through open tendering procurement, lean management, and internal audit to implement cost control.
- (4) Foster innovation: develop innovative products, such as niche products, products for the circular economy, and cross-industry packaging.
- (5) Deepen cooperation: promote a customer-oriented culture which is led by a win-win business model and partnership via improving service quality, and focusing on the clients' needs to win their trust.
- (6) Improve profitability: implement business policies and targets, continuously create value for the Company, employees, society, and shareholders.

Taiwan Hon Chuan will continue to pursue a global strategy through our innovative business model, agile management, strong integration, extensive domestic and international customer experience, and to enhance production and manufacturing technology and corporate governance. We will continue to commit to professional developments, innovative research, talent cultivation and operational efficiency.

Looking to the future, THC will continue to focus on strong execution with headquarters in Taiwan and global footprints across Mainland China, Southeast Asia and Africa to replicate our expertise in Taiwan globally. We hope to achieve sustainable development, carry our past successes and forge ahead, and continue to create values for our customers, our partners, and our shareholders in the future.

Chairman :  
Dai, Hung-Chuan

President :  
Tsao, Hsih-Chung

Chief Accounting officer :  
Cheng, Ya-Wen



## 1.2 Business Report

### 1.2.1 2021 Operating Result

#### 1.2.1.1 2021 Execution of Business Plans

In 2022, the consolidated revenue posted at NTD\$ 24,696,308 thousand, increased by 15.50% from 2021. The consolidated income before tax booked NTD\$ 2,840,360 thousand, increased by 5.01% from 2021; The consolidated income after tax reached NTD\$ 2,277,184 thousand, 12.27% higher than previous year. The earning per share was 7.70 dollars.

#### 1.2.1.2 Budget Performance

Taiwan Hon Chuan Enterprise Co., Ltd (Hereinafter referred to as “Hon Chuan” or “the Company”) did not disclose financial forecasts in 2022.

#### 1.2.1.3 Financial Results and Profitability Analysis

Item		2022	2021
Finance Structure (%)	Debt to Assets Ratio	57.58	57.70
	Long-Term Capital to Fixed Assets, Machinery and Equipment Ratio	123.11	146.03
Solvency (%)	Current Ratio	106.77	165.29
	Quick Ratio	71.81	111.82
	Interest Coverage (times)	16.71	20.58
Profitability (%)	Return on Assets	7.00	6.64
	Return on Equity	15.32	14.45
	Pre-tax Profit to Paid-in Capital Ratio	98.70	93.99
	Net Margin	9.22	9.49
	Earnings Per Share (NTD\$)	7.70	6.83

#### 1.2.1.4 Research and Development

Hon Chuan pays high attention to R&D and is dedicated to promoting sustainable packaging. We continuously innovate activities to ensure a leading position in the industry. In addition to promoting the lightness of products to save energy and reduce carbon dioxide, we developed and promoted rPET eco-friendly packaging and rolled out a multitude of new functions, new materials and cross-industry products to enhance the value of the products. The R& D achievement for 2022 was as follows:

- (1) Produce rPET preform for export
- (2) 1810 bottle neck 420ml, 1500 ml water bottle
- (3) 38 bottle neck 250ml, 400ml, 850ml, 910ml, and 1200ml freezing bottle
- (4) 38 bottle neck 1300ml cold fill bottle
- (5) 1881 bottle neck 450ml, 550ml aseptic bottle
- (6) 1810 bottle neck 535ml, 550ml, and 1000ml hot fill bottle
- (7) 1881 BAPHS aseptic plastic cap (32 mold)
- (8) 1881 2.15g CSD cap
- (9) All types of tethered cap 1881 3025 2925 2622 38
- (10) Soy sauce container (PET bottle, plastic cap, clamshell cap)

(11) Aluminum cap for high temperature and high frequency liner forming

#### 1.2.1.5 Honors and Awards

Hon Chuan continues pursuing business performance and ESG development. In 2022, we won the awards as follows:

- (1) Sustainable development: we received the TCSA “Taiwan Top 100 Sustainability Model Corporate Award” and “Enterprise Sustainability Award – Sustainability Report gold award.”
- (2) Happiness Workplace: we won the Taichung City Government Happiness Career the ultimate accolade – “Happiness Benchmark Award” and “Five Stars Award” and won the Workforce Development Agency “Gold Award and Honorable Mention Award in Labor Affairs.”
- (3) Green Environment: We have been recognized with numerous accolades, such as the "Taichung City Government's Outstanding Public and Private Sector Award for Pollution and Carbon Emissions Reduction Award" and signed the E. Sun Bank's Sustainability Partnership Initiative, declaring our commitment to zero carbon emissions by 2050 and conducting corporate greenhouse gas inventories to move toward the goal of net-zero emissions.
- (4) Innovation and R&D: we won Taiwan Association for Food Science and Technology “Innovative Packaging Design – Gold Medal Award and Silver Medal Award” ; also won Taichung City General Industrial Association “Distinguished Innovative R&D Manufacturer.”

### 1.2.2 Outlines of Business Plans in 2023

#### 1.2.2.1 Business Objectives

1. Strengthen core competency
  - (1) Continuously expand mid- and long-term strategic cooperation with clients.
  - (2) Actively promote In-House (Plant-Within-a-Plant) strategic coalitions with clients and provide high-quality packaging materials and product service to scale up the business and achieve win-win situation for both Hon Chuan and clients.
  - (3) Implement Corporate Governance Evaluation System, in order to make the Company's overall operation more Institutionalized, standardized and rationalized. Achieve the goal of sustainable operation and development.
  - (4) Continuously carry out projects of lean management and tendering procedures for procurement, implement budget and cost control, and encourage all departments to proactively propose improvement plans and feasible measures, and track the performance of the project on a regular basis in order to reach the lean and refined goals which the Company sets.
  - (5) Actively implement the development of new products, use innovative R&D technology to develop new materials, new functions and cross-industry products to enhance the value of the products.
  - (6) To strengthen the function of The Quality Improvement Management Committee: hold regular meetings every month reviewing several indicators that do not reach the quality targets, including customers' complaints, refunds, and defect loss of each plant or production line, and discussing improvemnet measures.
  - (7) Emphasize risk management and early warning system to lower and prevent the Company's unnecessary loss, such as environmental risk,

- operational risk, market risk, financial risk, risk, quality risk, and information security risk.
2. Continue to take action toward globalization – foothold in Taiwan and aim to the world
    - (1) Continuously integrate, use and share group resources in order to enhance business synergy.
    - (2) Build strategic alliances with global and domestic giants. Apply experiences from Taiwan to China, Southeast Asia and Africa. Integrate resources and expand markets.
  3. The Company actively complements with the government's net-zero carbon emission goal by 2050, the direction of carbon emission reduction will be progressively implemented. We focus on green sustainability, energy conservation and environmental protection, and take action on various climate change mitigation and adaptation actions in the short, medium and long-term.
    - (1) Short-term goals:
      - a. Purchase more eco-friendly /new process equipment to reduce energy consumption.
      - b. Introduce and promote the ISO14064-1 International standard for GHG emissions inventories and verification.
      - c. TCFD climate-related financial disclosures.
      - d. Introduce and promote the product carbon footprint management system.
      - e. Participate in CDP carbon disclosure program.
      - f. Increase the share of renewable energy used for electricity generation and sustainable products.
      - g. Import and promote ISO50001 energy management system (EnMS).
    - (2) Mid-term goals:
      - a. Manage with the goal of carbon neutrality.
      - b. Continue to move towards energy conservation, carbon reduction, and optimization of energy efficiency.
      - c. Participate in SBTi science-based reduction target initiative.
    - (3) Long-term goal: net-zero carbon emissions by 2050.

#### 1.2.2.2 Projected sales volume and its reference

1. The projected sales volume for 2023 is outlined as follows:

Unit: Thousand Pcs/Kg/Bottle/Box

Major Products	Sales Volume
Plastic Closures	27,444,297
PET Bottles	9,479,371
Labels	3,132,093
Aluminum Closures	666,085
Films & Electronics Packaging	19,362
Tobacco & Liquor Packaging	770
Beverage Filling OEM	2,287,365
TR Filling OEM	125,357
Metal Lug Caps	469,706
Others	43
Totals	43,624,449

2. Hon Chuan made sales forecasts according to the market movements, considering supply and demand in beverage and food industry and taking into

account of changes in products and clients mix in recent years.

#### **1.2.2.3 Key Production and Sales Strategies**

- 1.R&D: We aggressively develop new products, cultivate new customers, put equal emphasis on customer and product orientations, and develop innovative packaging materials and services to meet customers' requests and industry trends.
- 2.Manufacture: We strengthen the production management system, improve production lines, and automate production linkage. We establish manufacturing information management feedback system and initiate cooperation with domestic and foreign organizations to improve production technology and equipment process to ensure a leading position in technology.
- 3.Sales: To cope with business expansion, we aggressively establish comprehensive marketing and logistics management ability worldwide and develop a close and robust supply and marketing system with world-leading beverage manufacturers.
- 4.Operations: We cultivate all-rounded talents, develop flexible competitive strategies, promptly capture industrial trends and market direction, innovate and launch new products that adapt to the constant changing market demands and future challenges.

### **1.2.3 Future development strategy**

#### **1.2.3.1 Continuous innovation activities**

Hon Chuan insists on "Innovation" philosophy, actively innovates all kinds of niche type new products and technologies, such as lighter bottles, single-sheet plastic caps, eco trademarks, eco-friendly packaging materials, barrier packaging materials, PET beer bottles and plastic beer bottle caps to increase the products' functionality, additional value and differentiation. By turning creative ideas into innovative products and activities with commercial value, we expand the application of our products in order to improve the Company's core competitiveness.

We introduce new technologies including 3D printing, QR code, digital printing, 3D laser anti-fraud technology, and PVC free TPE composite materials to enhance product safety and improve product competitiveness. Also, aggressively enter new industries, develops new products such as food, life and cleaning supplies and offer packaging materials with functionality and specialty to cater the demand of customers and consumers.

#### **1.2.3.2 Management strategy with differentiation**

Hon Chuan keep abreast of market development trend and customer needs in every stage from individual item sales (selling bottle, cap, label or PET bottle separately) to modular sales (selling bottle cap + label + PET bottle collectively), and stretch to total solution (from the beginning of producing bottle cap, label and PET bottle to the end service of filling OEM, package and storage etc.) and servitization in beverage manufacturing (OEM, ODM, In-house service, joint venture and so on). Builds up an irreplaceable cooperation mode by offering a satisfactory overall service and entering in depth into the production process of the

customers.

## **1.2.4 The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions**

### **1.2.4.1 External competitive environment**

In Taiwan, the beverage market is extremely competitive. As over one hundred new beverages are released every year, beverage companies must continuously launch new products to maintain competitive strength and secure market share. As the leader of beverage packaging materials in Taiwan, we have the highest market share in bottle caps, bottle labels, and PET bottles. We continuously develop packaging materials with new functionality, new visuality, and new style to minimize the cost of packaging materials for beverage companies and increase the added value of their products, so that they can maintain their competitive strength in the market.

### **1.2.4.2 Regulatory environment**

The Company complies with national related laws, international agreements and such policies. To meet regulatory change and requirements from competent authority, we build and implement related regulations to strengthen corporate governance as our principle.

### **1.2.4.3 Macroeconomic conditions**

We are in the fast moving consumer goods (FMCG) business; therefore, revenue is closely related with the demographic size and national GDP. As the birth-rate in Taiwan has been falling recently, an ageing society with population decline is expected in the future, which would limit the growth momentum of the FMCG market. To mitigate the relevant impacts, apart from aggressively internationalizing our business, we implement vertical integration to expand the depth and breadth of our products and services to improve competitiveness and maintain revenue growth by offering all-rounded services to our key customers.

## 2. Company Profile

### 2.1 Company Profile

**2.1.1 Date of incorporation: July 15, 1969.**

**2.1.2 Company history**

## Foundation 1969-1984

- 1969 ➤ “Hon Chuan Industrial Limited Company” with capital of NTD\$ 600,000 was established in Changhua City.
- 1982 ➤ Moved to Shiou Shuei, Changhua County due to continued expansion, and was renamed as Hon Chuan Enterprise Co., Ltd.
- 1983 ➤ Expanded product lines to include Aluminum closures, Colored shrinkable labels.
- 1984 ➤ Became a certified supplier of Aluminum caps and Labels in Taiwan for international beverage companies.

## Growth 1987-2001

- 1987 ➤ Acquired land and factory in Taichung Industrial Park.
- 1988 ➤ Moved into Taichung Industrial Park to further expand production.
- 1990 ➤ Tsao, Hsih-Chung, CEO, was awarded for 13th Model of Entrepreneurs Prize.
- 1991 ➤ Renamed as Hon Chuan Metal Development Co., Ltd.
  - Introduced High-speed Aluminum Cap Machine from Italy and Gravure Machine from UK, Hon Chuan became the largest closure manufacturer in Taiwan.
  - Added Metal Lug Cap with Safety Button into product line by introducing UK advanced equipment and technology.
- 1992 ➤ Acquired Taichung 2nd Plant. Started to develop Pull ring cap, Long-neck aluminum cap, Plastic cap, Printing equipment and purchased a set of equipment to produce security bottom metal lug cap.
- 1993 ➤ Started to produce Aluminum cap specifically for deluxe wine by importing automatic long-neck wine cap production equipment from Europe.
- 1994 ➤ Imported the manufacturing technology and equipment of multi-layer hot shrinkable film from Europe; concurrently, imported aboard the advanced technology and production facility of plastic cap.
- 1995 ➤ The quality of plastic cap was certified and recognized by international beverage company, and THC was delegated to produce and supply its bottle plants.
- 1996 ➤ The quality of plastic cap was certified and recognized by international beverage company, and THC became the unique supplier in Taiwan which won this award.
- 1999 ➤ Renamed as “Taiwan Hon Chuan Enterprise Co., Ltd.” to strive for international business.
- 2000 ➤ Expanded the plants, and invested in producing heat-tolerance crystallized

- PET bottle to combine with the Company’ s caps and labels, and offer the customers a one-stop packaging shopping service.
- The Company’ s IPO was approved by Taiwan Stock Exchange and Ministry of Finance, R.O.C.
- 2001 ➤ Shares were public listed on Taiwan Stock Exchange on March 2.

## International Distribution 2002-2014

- 2002 ➤ Acquired the shares of Suzhou Hon Chuan to develop Great China market.
- 2003 ➤ Established “Hon Chuan (China) Holdings Co.,.
- 2004 ➤ Set up In-House Bottling Lines.
- Incorporated “Hon Chuan (Asia) Holdings Co., Ltd.,” which invested Hon Chuan (Thailand) plant, Hon Chuan FD plant, Hon Chuan (Indonesia) plant to explore South-east Asia Market.
- Incorporated “Hon Chuan (Asia) Holdings Co., Ltd.,” which invested Hon Chuan (Thailand) plant, Hon Chuan FD plant, Hon Chuan (Indonesia) plant to explore South-east Asia Market.
- 2006 ➤ Established Taichung 1st Aseptic Filling Plant at Chungkang Export Processing Zone for aseptic co-packing business.
- 2007 ➤ Established “Hon Chuan (Vietnam) Ltd.” through “Hon Chuan (Asia) Holdings Co., Ltd.,” to produce beverage packaging.
- 2009 ➤ Set up Qingxin Hon Chuan at Guangdong, China to provide caps, preforms and beverage OEM service.
- 2011 ➤ Received an Award of “Excellent Social Responsibility Award” for Outstanding Coca-Cola Supplier among Greater China.
- 2012 ➤ Built aseptic filling beverage plant in Zhangzhou, China.
- 2013 ➤ Received recognition from the Industrial Development Bureau.
- Awarded SGS ISO-9001 certificate for International Quality of Assurance System and Quality of Sustainability Award.
- Set up the 3rd aseptic filling beverage plant in Taichung.
- Set up Chuzhou (In House) plant in Anhui, China.
- Set up Hon Chuan Myanmar plant.
- 2014 ➤ Set up aseptic filling beverage (In House) plant in Xiantao, Hubei, China.
- Set up Aseptic filling plant in Surabaya in Indonesia.

## International Distribution 2015-2022

- 2015 ➤ Built up automated warehouse at Taichung headquarters and Taichung 2nd Aseptic beverage filling Plant.
- 2016 ➤ Invested Hon Shi (Samoa) Holding to manufacture and sell beverage packaging material in Mozambique and develop Africa market.
- 2017 ➤ Established Honhua Holdings Co., Ltd. in Myanmar to invest bottle water production line.
- Established Hon Chuan Enterprise Packing (Luohe) Co., Ltd. in Henan, China to invest bottle water production line.
- 2019 ➤ Established Hon Chuan (Cambodia) Co., Ltd. in Cambodia to invest

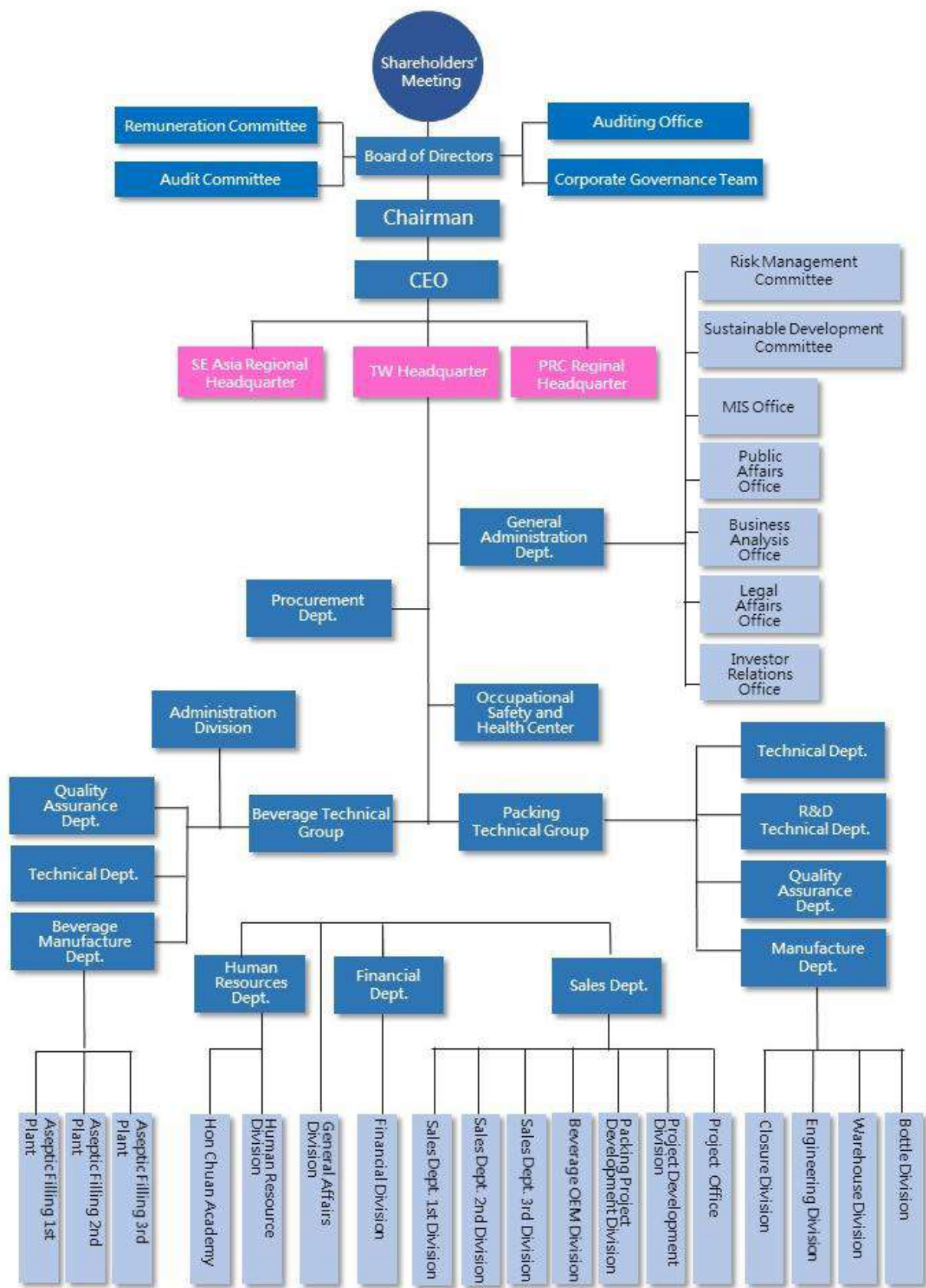
- preform production line.
- 2020
- Set up the 4th aseptic beverage filling production line at the Taichung 3rd Aseptic-filling Plant.
  - Set up the 2nd aseptic beverage filling production line at the Indonesia Surabaya Aseptic Filling Plant.
  - Established an In-house aseptic beverage filling production line with Sosro Company in Indonesia.
  - Established an In-house seasoning packaging production line with the biggest seasoning company in China at its Guangdong Foshan Plant .
- 2021
- Established Hon Chuan Free Trade Plant at Port of Taichung Free Trade Zone to invest preform production line for export market.
  - Set up Hon Chuan Office in Japan.
- 2022
- Established the Second Phase of the Hon Chuan Free Trade Plant at Port of Taichung Free Trade Zone to build a cold chain warehousing logistic center.
  - Set up Chuzhou 2nd plant in Anhui, China, to invest beverage packaging production line.
  - Bought land located in the KIIC industrial park at Karawang Regency, Indonesia, to build KIIC factory and invest beverage filling and beverage packaging production lines.
  - Set up the 2nd aseptic beverage filling production line at the Zhangzhou plant in Fujian, China.
  - Established Hon Chuan Enterprise Packing (Quzhou) Co., Ltd. in Zhejiang, China, to invest beverage packaging production line.



# 3. Corporate Governance Report

## 3.1 Organization

### 3.1.1 Organizational Chart



### 3.1.2 Major Corporate Functions

Department		Functions
Board of directors	Remuneration Committee	Formulate and regularly review the policy, system, standard and structure of directors' and managers' performance evaluation and remuneration. Also, regularly evaluate and formulate the remuneration of directors and managers and supervise the implementation of remuneration policy.
	Audit Committee	Supervise the Company to carry on related business in compliance with The Company Act., Securities and Exchange Act. and related regulations.
	Auditing Office	Examine and audit the effectiveness of internal control system, and evaluate its comprehensiveness and accuracy. Also, continuously supervise and improve all internal control operations.
	Corporate Governance Team	Devise and promote corporate governance matters and handle matters relating to the Board of Directors and shareholders' meetings in compliance with the law.
General Administration Dept.		<ol style="list-style-type: none"> <li>1. Risk Management Committee: form crisis management team to immediately carry out appropriate actions and relevant controls in response to a risk occurring, ensuring the survival and business continuity of the Company.</li> <li>2. Sustainable Development Committee: Under the Committee are four teams — Corporate Governance, Sustainable Environment, Products and Services, Employees/Social Care, and hold regular sustainable development meetings to draw up the Company's annual implementation objectives and plans, and track implementation performance.</li> <li>3. Responsible for planning and execution of business objectives, performance analysis, legal affairs and contract review, ERP systems, project management and investor relationship management.</li> </ol>
Sales Dept.		Responsible for formulating and implementing marketing strategies, maintaining customer's relationship as well as new customer development, and achieving sales targets.
Procurement Dept.		Responsible for the consolidation and management of companywide procurement needs.
Manufacture Dept.		Responsible for product manufacturing, production capacity allocation, inventory management and transportation scheduling.

<b>Financial Dept.</b>	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, cost calculation and stockholding services.
<b>Packaging Technical Group</b>	Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in packaging material sector.
<b>Beverage Technical Group</b>	Responsible for Integration of manufacturing, technology, R&D, QC, and relative affaires in beverage OEM sector.
<b>Human Resource Dept.</b>	<ol style="list-style-type: none"> <li>1. Responsible for Human resource planning, recruitment, training, career planning, employee's welfare, relationship, etc.</li> <li>2. Hon Chuan Academy: formalize talent development strategies and build on-line learning platform and off-line training programs.</li> </ol>
<b>Labor Safety &amp; Health Dept.</b>	Responsible for planning and execution of industrial safety sanitation, environmental protection.

## 3.2 Information regarding directors, supervisors, management team and branch managers

### 3.2.1 Information regarding Directors

#### 3.2.1.1 Information regarding Directors

April 2, 2023

Title	Nationality	Name	Gender Age	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Selected Education and Professional Qualification	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	R.O.C.	Dai, Hung-Chuan	M 56-60	2020.06.19	3 years	1996.10.04	3,572,019	1.24%	3,572,019	1.24%	577,352	0.20%	0	0	(1) Bachelor Degree in Civil Engineering, National Taiwan University, Taiwan (2) Master Degree in Structural Engineering, University of California, Berkeley, U.S.A. (3) MBA, Columbia University, U.S.A. (4) A Chartered Structural and Civil Engineer in ROC (5) Technical Specialist of Public Works Department, Taichung City Government (6) Associated Technical Specialist of Construction Management Division, Construction and Planning Agency Ministry of the Interior	(1) Chairman of Taiwan Hon Chuan Enterprise Co., Ltd. (2) Chairman of Hon Chuan Investment Co., Ltd. (3) Chairman of Hon Tong Investment Co., Ltd. (4) Director of Ren Sun Construction Co., Ltd (5) Chairman of Kuo Yang Construction Co., Ltd.	Director	Dai, Hung-I	Brother	—
Director	R.O.C.	Tsao, Hsih-Chung	M 71-75	2020.06.19	3 years	1982.03.22	4,372,243	1.52%	4,372,243	1.52%	1,283,064	0.45%	0	0	(1) The recipient of the 13th China Youth Career Initiation Honor Award (2) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (3) Wharton School of the University of Pennsylvania, U.S.A. (4) The 18 <sup>th</sup> Director of Food Industry Research and Development Institute (5) Elite Presidents' Camp of Peking University, China (6) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000 (7) Received "Award of Special Contribution on Food Industry" from Taiwan Association for Food Science and Technology in 2018 (8) Received "Harvard Business Review's Taiwan top 100 best-performing CEOs" in 2020	(1) General Manager of HON CHUAN (2) Chairman of Hsih-Yueh Development Co., Ltd.	Director	Tsao, Hung Yu	Son	—

Title	Nationality	Name	Gender Age	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Selected Education and Professional Qualification	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	R.O.C.	Liu, Yun-Chang	M 66-70	2020.06.19	3 years	1999.04.20	689,303	0.24%	689,303	0.24%	98,641	0.03%	0	0	(1) EMBA, Beijing University, China (2) Department of Distribution Management, National Chin-Yi University of Technology, Taiwan (3) The Outstanding Enterprise Manager Award of R.O.C in 1995 (4) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (5) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010 (6) Taiwan Beverage Industries Association - Executive Director (7) Taiwan Quality Food Association(TQF)- Director	Executive Vice President of HON CHUAN	—	—	—	—
Director	R.O.C.	Chang, Chun-Shu	F 71-75	2020.06.19	3 years	1993.12.17	2,663,234	0.93%	2,629,534	0.91%	416,089	0.14%	0	0	Graduated from National Taichung Institute of Commerce, Taiwan	Director of Taiwan Hon Chuan Enterprise Co., Ltd.	—	—	—	—
Director	R.O.C.	Tsao, Hung Yu	M 36-40	2020.06.19	3 years	2020.06.19	6,529,134	2.27%	6,529,134	2.27%	0	0	0	0	Department of Economics, York University	Executive Assistant of Taiwan Hon Chuan Enterprise Co., Ltd.	Director	Tsao, Hsih- Chung	Father	—
Director	R.O.C.	Dai, Hong-I	M 56-60	2020.06.19	3 years	1996.10.04	5,812,111	2.02%	5,807,111	2.02%	0	0	0	0	(1) Master Degree in urban design, University of Sydney, Australia (2) Department of Architecture, Tamkang University (3) A Chartered Architect in ROC	(1) Director of Taiwan Hon Chuan Enterprise Co., Ltd. (2) Dai Hongyi Architects (3) Chairman of Ren Sun Construction Co., Ltd., Hong-I investment Co., Ltd., Hong- Shan investment Co., Ltd. (4) A member of Urban design advisory committee, Taichung City (5) Assistant professor, Department of Landscape design, National Chin-Yi University of Technology (6) An arbitrator of Chinese Arbitration Association, Taipei	Chairman  Vice President of Finance Dept.	Dai, Hung- Chuan  Cheng, Ya-Wen	Brother  Relationship in law	—
Independent Director	R.O.C.	Kung, Yi-Lu	M 66-70	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Master Degree in Accounting, Soochow University, Taiwan (2) Department of Business Administration, Tamkang University, Taiwan (3) Chief Auditor of King's Town Bank (4) Assistant general manager of CDIB Capital Group	Independent Director of Taiwan Hon Chuan Enterprise Co., Ltd.	—	—	—	—
Independent Director	R.O.C.	Hung, Chao-Nan	M 76-80	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Master Degree in Politics, Arkansas State University, U.S.A (2) Department of Foreign Languages, School of Law, Soochow University (3) Pass the Finance Special Examination	Independent Director of Taiwan Hon Chuan Enterprise Co., Ltd. and Rexon Industrial Corp., Ltd.	—	—	—	—

Title	Nationality	Name	Gender Age	Date of Election (Inauguration)	Term of office	First elected	Shareholding when elected		Current shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Selected Education and Professional Qualification	Current additional positions	Other heads, directors, or supervisors as spouse or kin within the second degree			Remarks (Note 1)
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
															(Former senior tax officer of Customs Administration, Ministry of Finance) (4) The 4th member of the Control Yuan (5) Legislator, reelected for 8 times, Chungkuo Kuomintang (6) Convener of Finance Committee					
Independent Director	R.O.C.	Huang, Hsiang-Ying	M 66-70	2020.06.19	3 years	2017.06.15	0	0	0	0	0	0	0	0	(1) Ph. D. in Public Finance and Economics, Central University of Finance and Economics, Peking, China (2) Master Degree in Accounting, National Chengchi University, Taiwan (3) Bachelor Degree in Accounting, Fu Jen Catholic University, Taiwan (4) Partnership Accountant of BDO Taiwan Joint Accounting Firm (5) Lecturer in Ling Tung University and Tunghai University (6) Independent director of Sino-American Silicon Products Inc. (7) Deputy Section Manager of Finance Division, Administration Department of The Far Eastern Group	(1) Partnership Accountant of EnWise CPAs & Co. (2) Independent Director of Taiwan Hon Chuan Enterprise Co., Ltd. (3) Independent director of Quaser Machine tools Inc. (4) Independent director of InterServ International Inc. (5) Independent director of WFE Technology Corp. (6) A member of Remuneration Committee in Lelon Electronics Corp. (7) A member of Remuneration Committee in Liton Technology Corp.	—	—	—	—

Note 1: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers): Not applicable.

### 3.2.1.2 Major Shareholders of Institutional Shareholders: None.

### 3.2.1.3 Disclosure for Directors' Professional Qualifications and Independent Directors' Independence Status

Qualifications Name	Professional Qualification and Experience (Note 1)	Independence Status	Concurrently Serving as an Independent Director / Number of Other Public Companies
Director/ Dai, Hung-Chuan	For Directors' professional qualification and experience, please refer to on page 15-17 of this Annual Report.	Not Applicable	0
Director/ Tsao, Hsih-Chuan			0
Director/ Liu, Yun-Chung			0
Director/ Chang, Chun-Shu			0
Director/ Tsao, Hung Yu			0
Director/ Dai, Hung-I			0
Independent Director/ Hung, Chao-Nan		<p>All of the following situations apply to each and every of the Independent Directors:</p> <ol style="list-style-type: none"> <li>1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau.</li> <li>2. Independent Director (or nominee arrangement) as well as his/her spouse and kin within the second degree do not hold any shares.</li> <li>3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service."</li> </ol>	1
Independent Director/ Huang, Hsiang-Ying			3
Independent Director/ Kung, Yi-Lu			0

Note 1: Professional Qualification and Experience: none of the Directors has been in or is under any circumstances stated in Article 30 of the Company Law.

Note 2: During the two years before being elected and during the term of office, meet any of the following situations:

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates.
- (3) Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the Company's outstanding shares, a top five shareholder, or appointed as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act.
- (6) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights.
- (7) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position.
- (8) Not a director, supervisor, or executive officer of a specific company or institution with financial or business dealings with the Company, or shareholder with 5% or more shares of the Company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof. This does not apply to members of the Remuneration Committee, Public Tender Offer Review



Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.

- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
- (11) Not serving concurrently as an independent director on more than three other public companies in total.
- (12) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

### 3.2.1.4 The Diversity and Independence of the Board of Directors

#### (1) Diversity of the Board of Directors

According to Article 20 of Corporate Governance Best Practice Principle of the Company, the composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. There are nine seats in the Board of Directors, and all of them possess various professional background and work domain:

- The percentage of the Company's directors who are employee is 44%. The percentage of independent directors is 33%. 11% of directors are female. The three independent directors were all appointed for the first time on June 15, 2017. All three Independent directors serve no more than three consecutive terms.
- Normal director members: composed of members with rich industry experience and professional skills. Not only do many of them have higher education degree such as Master Degree in Structural Engineering, University of California, Berkeley, U.S.A, Master Degree in Urban Design, University of Sydney, Australia, EMBA of Beijing University, China, but they are also award-winning leaders in different industries.
- Independent director members: composed of the members who possess professional background, expertise and industrial experience, such as Master Degree in Politics, Arkansas State University, U.S.A, Ph. D. in Public Finance and Economics, Central University of Finance and Economics, Peking, China and Master Degree in Accounting, Soochow University, Taiwan. They also have diverse professional backgrounds and skills, such as legislator for eight consecutive terms, member of the Control Yuan, the senior certified public accountant, and the general auditor of finance holding company.
- Hon Chuan's Board of Directors consist of members with different backgrounds and professional skills, and we are concerned about gender equality among board members. The Company's diversity policy targets and achievements:
  1. Set up independent directors at least 1/3 of all directors: achieved
  2. All directors must have at least more than one female director: achieved
  3. At least one of the independent directors has an accountant license and financial expertise: achieved

Title	Director						Independent Director		
Name	Dai, Hung-Chuan	Tsao, Hsih-Chung	Chang, Chun-Shu	Dai, Hung-I	Liu, Yun-Chang	Tsao, Hung-Yu	Hung, Chao-Nan	Huang, Hsiang-Ying	Kung, Yi-Lu
Gender	M	M	F	M	M	M	M	M	M
Age	56-60	71-75	71-75	56-60	66-70	36-40	76-80	66-70	66-70



Employee of the Company	✓	✓			✓	✓			
Professional Knowledge and Expertise									
Architecture and Engineering	✓	✓		✓					
Commerce and Supply Chain	✓	✓			✓	✓		✓	✓
Marketing	✓	✓			✓	✓			
Law				✓			✓	✓	
Information and Technology	✓	✓				✓			
Economic Analysis	✓	✓				✓		✓	✓
Finance			✓				✓	✓	✓
Skills and Experience									
Operational Judgment	✓	✓	✓	✓	✓	✓	✓	✓	✓
Management Administration	✓	✓		✓	✓	✓	✓	✓	✓
Leadership and Policy Decision	✓	✓		✓	✓	✓	✓	✓	✓
Accounting and Financial			✓					✓	✓
Industry Experience	✓	✓	✓		✓	✓			
Risk/Crisis Management	✓	✓		✓	✓	✓	✓	✓	✓
International Market Perspective	✓	✓		✓	✓	✓	✓	✓	✓
Quality Management	✓	✓			✓	✓			
Social Engagement	✓	✓	✓	✓	✓	✓	✓	✓	✓
Environmental Sustainability	✓					✓			
Political Experience							✓		
Audit							✓	✓	✓

### 3.2.2 Information Regarding Management Team

April 2, 2023

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
General Manager (President)	R.O.C.	Tsao, Hsih-Chung	M	1990.06.01	4,372,243	1.52%	1,283,064	0.45%	0	0	(1) The recipient of the 13th China Youth Career Initiation Honor Award (2) Sun Yat-Sen Institute of Policy Research and Development (the tenth term) (3) Wharton School of the University of Pennsylvania, U.S.A. (4) The 18th director of Food Industry Research and Development Institute (5) Elite Presidents' Camp of Peking University, China (6) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2000 (7) Received "Award of Special Contribution on Food Industry" from Taiwan Association for Food Science and Technology in 2018 (8) Received "Harvard Business Review's Taiwan top 100 best-performing CEOs" in 2020	Chairman of Hsih-Yueh Development Co., Ltd.	-	-	-	-
Executive Vice President	R.O.C.	Liu, Yun-Chang	M	1993.03.01	689,303	0.24%	98,641	0.03%	0	0	(1) EMBA, Beijing University, China (2) Department of Distribution Management, National Chin-Yi University of Technology, Taiwan (3) The Outstanding Enterprise Manager Award of R.O.C in 1995 (4) The Outstanding Food Entrepreneur Award of Taiwan Association for Food Science and Technology in 2002 (5) The Distinguished Alumni Award of National Chin-Yi University of Technology in 2010 (6) Taiwan Beverage Industries Association- Executive Director (7) Taiwan Quality Food Association(TQF)- Director	-	-	-	-	-
Group Vice President	R.O.C.	Pai, Wen-Pin	M	1993.06.01	12,693	0	0	0	0	0	(1) Graduated from Mingdao High School (2) Completed a Business Management course at Tunghai University	-	-	-	-	-
Group Vice President	R.O.C.	Tseng, Wen-Hua	M	2014.03.01	663	0	0	0	0	0	(1) Graduated from National Chin-yi University of Technology. (2) Completed a Marketing Management course at Tunghai University	-	-	-	-	-
Financial Dept. Group Vice President	R.O.C.	Cheng, Ya-Wen	F	2018.01.01	577,352	0.20%	3,572,019	1.24%	0	0	(1) Graduated from Economics Dept., National Taiwan University (2) Master of Accounting, University of Illinois at Urbana Champaign, U.S.A (3) CPA of Taiwan, U.S.A and Australia	(1) Director of Hon Chuan Investment Co., Ltd. (2) Director of Hon Tong Investment Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Packaging Technical Group Vice President	R.O.C.	Lee, Chin-Hsiung	M	2014.03.01	1,299	0	8,769	0	0	0	(1) Graduated from Electronic engineering Dept., National United University (2) Completed a Management course at Asia University	-	-	-	-	-
SE Asia Regional Headquarter Vice President	R.O.C.	Lai, Shen-Yuan	M	2016.03.29	8,159	0	4,339	0	0	0	(1) Graduated from Sociology Dept., National Taiwan University (2) Special Assistant of Chairman, Chainan Construction Co., Ltd.	-	-	-	-	-
Financial Dept. Vice President	R.O.C.	Chuang, Kuei-Ching	F	2018.01.01	18,507	0.01%	0	0	0	0	(1) Graduated from Accountancy Dept., Chungyu Institute of Technology (2) Completed a Financial Management course at Tunghai University	-	-	-	-	-
Beverage Technical Group Vice President	R.O.C.	Lu, Ching-Chou	M	2018.01.01	0	0	0	0	0	0	(1) Graduated from Mechanical Engineering Dept., National United University (2) EMBA of National Chung Hsing University	-	-	-	-	-
Chief Auditor Vice President	R.O.C.	Hsieh, Hung-Lung	M	2022.01.01	613	0	489	0	0	0	(1) Graduated from Industrial Management Dept., National Taiwan University of Science and Technology (2) MBA of National Yunlin University of Science and Technology (3) The 1 <sup>st</sup> Taiwan industrial excellence manager Award	-	-	-	-	-
SE Asia Regional Headquarter Vice President	R.O.C.	Ting, Chih-Hao	M	2022.01.01	9,041	0	0	0	0	0	Graduated from Business Administration Dept., Feng Chia University	-	-	-	-	-
Hon Chuan Food Packing (Jinan) Company Limited Vice President	R.O.C.	Chang, Chia-Jui	M	2022.01.17	10	0	30,001	0.01%	0	0	Graduated from Executive Master of Business Administration(EMBA), National Chung Hsing University	-	Assistant Vice President	Hsu, Tsui Ling	Spouse	-
Hon Chuan Food Packing (Zhangzhou) Company Limited Vice President	R.O.C.	Lee, Wen-Fu	M	2022.01.17	122,000	0.04%	0	0	0	0	Graduated from Dept. of Marketing, Jilin University of Finance and Economics (Changchun Tax College)	-	-	-	-	-
General Administration Dept. Senior Assistant Vice President	R.O.C.	Yen, Ching-Chuan	M	2005.09.06	30,000	0.01%	0	0	0	0	(1) Graduated from Chemical Engineering Dept., Tunghai University (2) Vice General Manager, Daodi international Co., Ltd.	-	-	-	-	-
Sales Dept. Senior Assistant Vice President	R.O.C.	Fang, Yu-Lung	M	2009.01.01	1,153	0	1,000	0	0	0	(1) Graduated from Chemical Engineering Dept., Shu-te University (2) Sales Manager, The Key Industrial Co., Ltd.	-	-	-	-	-
R&D Technical Dept. Senior Assistant Vice President	R.O.C.	Tsao, Chien-Hsia	M	2013.10.08	9,372	0	0	0	0	0	Graduated from Professional Master's Program for Intelligent Manufacturing and Management, Feng Chia University	-	-	-	-	-
Beverage Technical Group Technical Dept. Senior Assistant Vice President	R.O.C.	Li, Kun-Chang	M	2020.07.01	0	0	0	0	0	0	Graduated from Taichung Municipal Sha-Lu Industrial High School	-	-	-	-	-

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Hon Chuan Food Packing (Qingxin) Co., Ltd. Senior Assistant Vice President	R.O.C.	Huang, Hsuan-Che	M	2022.01.17	0	0	0	0	0	0	Master degree of Food Science Dept., National Taiwan University	-	-	-	-	-
Hon Chuan Food Packing (Qingxin) Co., Ltd. Senior Assistant Vice President	R.O.C.	Huang, Chen-Pin	M	2022.01.17	19,000	0.01%	0	0	0	0	Graduated from Dept. of Mechanical and Materials Engineering, National Formosa University (Provincial Yunlin Institute of Technology)	-	-	-	-	-
Technical Dept. Assistant Vice President	R.O.C.	Hung, Min-Hsiung	M	2013.10.08	33,344	0.01%	72,584	0.03%	0	0	Graduated from Executive Master of Business Administration(EMBA), Ling Tung University	-	-	-	-	-
Quality Assurance Dept. Assistant Vice President	R.O.C.	Tsai, Yung-Fu	M	2019.02.01	0	0	0	0	0	0	Master degree of Business Administration Dept., Asia University	-	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Liu, Li-Yuan	M	2019.02.01	0	0	0	0	0	0	Master degree of Distribution Management Dept., National Chin-Yi University of Technology	-	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Pai, Hsien-Wei	M	2019.02.01	0	0	0	0	0	0	Graduated from Accounting and Satisics Dept., Ling Tung University	-	-	-	-	-
Human Resource Dept. Assistant Vice President	R.O.C.	Lin, Tsang-Pin	M	2020.01.10	164,358	0.06%	0	0	0	0	Master degree of Labor Relations Dept., National Chung Cheng University	-	-	-	-	-
Sales Dept. Assistant Vice President	R.O.C.	Lin, Wei-Hsiang	M	2020.01.10	2,500	0	0	0	0	0	Graduated from International Business Dept., Feng Chia University	-	-	-	-	-
Manufacture Dept. Assistant Vice President	R.O.C.	Huang, Chun-Hao	M	2020.07.01	21,000	0.01%	0	0	0	0	Graduated from Electrical Engineering Dept., National Formosa University (Provincial Yunlin Institute of Technology)	-	-	-	-	-
Hon Chuan Food Packing (Jinan) Company Limited Assistant Vice President	R.O.C.	Hsu, Tsui-Ling	F	2022.01.17	30,001	0.01%	10	0	0	0	Graduated from Dept. of Chemical Engineering, National Hualien Industrial Vocational Senior High School	-	Vice President	Chang, Chia Jui	Spouse	-
Sales Dept. Assistant Vice President (note 2)	R.O.C.	Huang, Kuan-Jen	M	2023.02.01	0	0	0	0	0	0	Graduated from International Business Dept., National Chengchi University	-	-	-	-	-
Sales Dept. Assistant Vice President (note 2)	R.O.C.	Chen, Ming-Hui	F	2023.02.01	20	0	0	0	0	0	Graduated from Mass Communication Dept.,Tamkang University	-	-	-	-	-
Sales Dept. Assistant Vice President (note 2)	R.O.C.	Chen, Jui-Pin	M	2023.02.01	0	0	0	0	0	0	Graduated from Business and Management Dept., Overseas Chinese University	-	-	-	-	-

Title	Nationality	Name	Gender	Date of Inauguration	Shareholding		Spouse and minor children's current shareholdings		Shareholding by nominee arrangement		Education and Experience	Concurrent Positions in Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other			Remarks (Note 3)
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Sales Dept. Assistant Vice President (note 2)	R.O.C.	Tung, Chan-Wei	M	2023.02.01	0	0	0	0	0	0	Graduated from Business and Management Dept., Yuan Ze University	-	-	-	-	-
Sales Dept. Assistant Vice President (note 2)	R.O.C.	Li, Chuo-Pin	M	2023.02.01	1,000	0	0	0	0	0	Graduated from Business and Management Dept., Fu Jen Catholic University	-	-	-	-	-

Note 1: The scope of application of managers is according to the explanation in Taiwan-Finance-Securities-(III)-0920001301 of Ministry of Finance, which includes the following:

- (1) General managers or their equivalents
- (2) Assistant general managers or their equivalents
- (3) Deputy assistant general managers or their equivalents
- (4) Chief financial
- (5) Chief accounting officers
- (6) Other persons authorized to manage affairs and sign documents on behalf of a company

Note 2: On February 1, 2023, Huang, Kuan-Jen was promoted to Assistant Vice President.

On February 1, 2023, Chen, Ming-Hui was promoted to Assistant Vice President.

On February 1, 2023, Chen, Jui-Pin was promoted to Assistant Vice President.

On February 1, 2023, Tung, Chan-Wei was promoted to Assistant Vice President.

On February 1, 2023, Li, Chuo-Pin was promoted to Assistant Vice President.

Note 3: Where the chairperson and president or equivalent position (highest level executive officer) is the same person, the spouse, or a first-degree relative, provide information on the reason, reasonableness, necessity, and future improvement measures (such as increasing the number of independent director seats and more than half of all directors not concurrently serving as employees or executive officers): Not applicable.

## 3.3 Remuneration paid during the most recent fiscal year to directors, the general manager, and assistant general managers

### 3.3.1 Remuneration of Directors and Independent Directors

December 31, 2022  
Unit: NTD\$ Thousand

Title	Name	Remuneration for Directors								(A+B+C+D) as a % of Net Profit		Compensation Earned as Employee of HON CHUAN or HON CHUAN Subsidiary Affiliates								(A+B+C+D+E+F+G) as a % of Net Profit		Compensation Received from Non-consolidated From HON CHUAN Affiliates
		Salary (A)		Pension (B) (Note1)		Compensation (C)		Allowance (D)				Salary, Bonus etc. (E)		Pension (F)		Employee Profit Sharing (G)						
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairmen	Dai, Hung-Chuan	0	0	0	0	17,434	17,434	0	0	17,434 0.79%	17,434 0.79%	13,397	16,983	149	149	7,423	0	7,423	0	38,403 1.73%	41,989 1.89%	-
Director and General Manager	Tsao, Hsih-Chung																					
Director	Tsao, Hung Yu																					
Director	Dai, Hung-I																					
Director	Chang, Chun-Shu																					
Director	Liu, Yun-Chang																					
Independent Director	Hung, Chao-Nan	0	0	0	0	1,980	1,980	0	0	1,980 0.09%	1,980 0.09%	0	0	0	0	0	0	0	0	1,980 0.09%	1,980 0.09%	-
Independent Director	Huang, Hsiang-Ying																					
Independent Director	Kung, Yi-Lu																					

Note 1: Pension was recorded as expenses and appropriated in 2022.

Note 2: Describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: In accordance with the Company's Articles of Incorporation, the remuneration of independent directors are based on the extent of their participation in the Company's business operations or value of their contribution, at a level consistent with general practices in the industry, and authorized to be passed by the board of directors.

**The remunerations for directors of the Company providing services (such as serving as a parent company/ consolidated subsidiaries/ a consultant that is not an employee of investments in other companies) : None**

## Remuneration Brackets

Range of Remuneration	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From HON CHUAN	From All Consolidated Entities H	From HON CHUAN	From All Consolidated Entities I
Less than NT\$ 1,000,000	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu	Hung, Chao-Nan Huang, Hsiang-Ying Kung, Yi-Lu
NT\$ 1,000,000 ~ NT\$ 1,999,999	Liu, Yun-Chang Tsao, Hung Yu Dai, Hung-I Chang, Chun-Shu	0	0	0
NT\$ 2,000,000 ~ NT\$ 3,499,999	0	Liu, Yun-Chang Tsao, Hung Yu Dai, Hung-I Chang, Chun-Shu	Dai, Hung-I Chang, Chun-Shu	Dai, Hung-I Chang, Chun-Shu
NT\$ 3,500,000 ~ NT\$ 4,999,999	Dai, Hung-Chuan Tsao, Hsih-Chung	Dai, Hung-Chuan Tsao, Hsih-Chung	Tsao, Hung Yu	Tsao, Hung Yu
NT\$ 5,000,000 ~ NT\$ 9,999,999	0	0	Liu, Yun-Chang	Liu, Yun-Chang
NT\$ 10,000,000 ~ NT\$ 14,999,999	0	0	Dai, Hung-Chuan Tsao, Hsih-Chung	Dai, Hung-Chuan Tsao, Hsih-Chung
NT\$ 15,000,000 ~ NT\$ 29,999,999	0	0	0	0
NT\$ 30,000,000 ~ NT\$ 49,999,999	0	0	0	0
NT\$ 50,000,000 ~ NT\$ 99,999,999	0	0	0	0
Over NT\$ 100,000,000	0	0	0	0
Total	9	9	9	9

### 3.3.2 Remuneration of Supervisors: Not applicable.

### 3.3.3 Compensation of General Manager and Senior Vice President

December 31, 2022  
Unit: NTD\$ Thousand

Unit: NTD\$ Thousand														
Title	Name	Salary (A)		Pension (B)		Special allowances (C)		Profit Sharing- Employee Bonus (D)				(A+B+C+D) as a % of Net Profit		Compensati on Received from Non-consolidated From HON CHUAN Affiliates
		From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities	From HON CHUAN		From All Consolidated Entities		From HON CHUAN	From All Consolidated Entities	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
General Manager (President)	Tsao, Hsih-Chung	42,391	48,804	465	465	0	0	20,405	0	20,405	0	63,261 2.86%	69,674 3.15%	—
Executive Vice President	Liu, Yun-Chang													
Group Vice President	Pai, Wen-Pin													
Group Vice President	Tseng, Wen-Hua													
Financial Dept. Group Vice President	Cheng, Ya-Wen													
Vice President	Lee, Chin-Hsiung													
Vice President	Lai, Shen-Yuan													
Vice President	Chuang, Kuei-Ching													
Vice President	Lu, Ching-Chou													
Vice President	Hsieh, Hung-Lung													
Vice President	Ting, Chih-Hao													
Vice President	Chang, Chia-Jui													
Vice President	Lee, Wen-Fu													

Note: The Company has accrued pension expenses for 2022 and made pension contributions totaling NTD\$ 466 thousand (including NTD\$ 248 thousand under the new system and NTD\$ 218 thousand under the old system).



### Compensation Brackets

Range of Compensation	Names of President and Vice President	
	From HON CHUAN	From All Consolidated Entities
Less than NT\$ 1,000,000	0	0
NT\$ 1,000,000 ~ NT\$ 1,999,999	Chang, Chia-Jui Lee, Wen-Fu	0
NT\$ 2,000,000 ~ NT\$ 3,499,999	Liu, Yun-Chang Lai, Shen-Yuan Hsieh, Hung-Lung	Liu, Yun-Chang Lai, Shen-Yuan Hsieh, Hung-Lung Chang, Chia-Jui
NT\$ 3,500,000 ~ NT\$ 4,999,999	Lee, Chin-Hsiung Chuang, Kuei-Ching Lu, Ching-Chou	Lee, Chin-Hsiung Chuang, Kuei-Ching Lu, Ching-Chou Lee, Wen-Fu
NT\$ 5,000,000 ~ NT\$ 9,999,999	Tsao, Hsih-Chung Cheng, Ya-Wen Tseng, Wen-Hua Ting, Chih-Hao	Tseng, Wen-Hua Cheng, Ya-Wen Ting, Chih-Hao
NT\$ 10,000,000 ~ NT\$ 14,999,999	Pai, Wen-Pin	Tsao, Hsih-Chung Pai, Wen-Pin
NT\$ 15,000,000 ~ NT\$ 29,999,999	0	0
NT\$ 30,000,000 ~ NT\$ 49,999,999	0	0
NT\$ 50,000,000 ~ NT\$ 99,999,999	0	0
Over NT\$ 100,000,000	0	0
Total	13	13

### 3.3.4 Employees' Profit Sharing Bonus Paid to Management Team

December 31, 2022  
Unit: NTD\$ Thousand

Title		Name	Stock	Cash	Total Employees' Profit Sharing Bonus	Total Employees' Profit-Sharing Bonus Paid to Management Team as a % of Net Profit
Management Team	General Manager	Tsao, Hsih-Chung	0	28,371	28,371	1.28%
	Executive Vice President	Liu, Yun-Chang				
	Group Vice President	Pai, Wen-Pin				
	Group Vice President	Tseng, Wen-Hua				
	Financial Dept. Group Vice President	Cheng, Ya-Wen				
	Packaging Technical Group Vice President	Lee, Chin-Hsiung				
	SE Asia Regional Headquarter Vice President	Lai, Shen-Yuan				
	Financial Dept. Vice President	Chuang, Kuei-Ching				
	Beverage Technical Group Vice President	Lu, Ching-Chou				
	Chief Auditor Vice President	Hsieh, Hung-Lung				
	SE Asia Regional Headquarter Vice President	Ting, Chih-Hao				
	Hon Chuan Enterprise (Suzhou) Company Limited. Vice President	Chang, Chia-Jui				
	Hon Chuan Enterprise (Suzhou) Company Limited. Vice President	Lee, Wen-Fu				
	General Administration Dept. Senior Assistant Vice President	Yen, Ching-Chuan				
	Sales Dept. Senior Assistant Vice President	Fang, Yu-Lung				
	Beverage Technical Group Senior Assistant Vice President	Lee, Ching-Hsiang				
	R&D Technical Dept. Senior Assistant Vice President	Tsao, Chien-Hsia				
	Beverage Technical Group Technical Dept. Senior Assistant Vice President	Li, Kun-Chang				
	Hon Chuan Food Packing (Qingxin) Co., Ltd. Senior Assistant Vice President	Huang, Hsuan-Che				
	Hon Chuan Food Packing (Qingxin) Co., Ltd. Senior Assistant Vice President	Huang, Chen-Pin				
	R&D Technical Dept. Assistant Vice President	Hung, Min-Hsiung				
	Quality Assurance Dept. Assistant Vice President	Tsai, Yung-Fu				
	Sales Dept. Assistant Vice President	Liu, Li-Yuan				
	Sales Dept. Assistant Vice President	Pai, Hsien-Wei				
	Beverage OEM Division Assistant Vice President	Lin, Wei-Hsiang				
	Human Resource Dept. Assistant Vice President	Lin, Tsang-Pin				
	Manufacture Dept. Assistant Vice President	Huang, Chun-Hao				
	Hon Chuan Enterprise (Suzhou) Company Limited. Assistant Vice President	Hsu, Tsui-Ling				

Note 1: 2022 the net profit of the individual financial statements was NTD\$ 2,215,138 thousand.

Note 2: 2022 the director profit sharing and employee profit sharing have not been distributed and shall be proposed as an estimation of the amount.

### 3.3.5 Analyze the ratio of the total remuneration paid to the Company's directors, supervisors, President, and Vice President in the last two years by the Company and all the consolidated subsidiaries to the net income in the proprietary or individual financial report. Explain the remuneration policy, standards, and combinations, remuneration determination procedures, and the relevance of operating performance and future risks

1. The percentage of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president and vice president of the Company, relative to net income.

Title	Total Remuneration as % of 2022 Net Profit		Total Remuneration as % of 2021 Net Profit	
	From HON CHUAN	From All Consolidated Entities	From HON CHUAN	From All Consolidated Entities
Directors	1.82%	1.98%	1.77%	2.52%
General Manager and Vice Presidents	2.86%	3.15%	2.26%	2.83%

Note 1: The Company established the Audit Committee in 2017 to replace the supervisor, so it's not applicable.

Note 2: 2022 the net profit of the individual financial statements was NTD\$ 2,215,138 thousand.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and correlation with business performance:
  - (1) According to Article 28 of Articles of Incorporation, annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by the Board of Directors to set aside a maximum of 3% of said profit as remuneration to directors; evaluation items for performance of the Board and individual directors listed in the Regulation of Self-Evaluation of the Board of Directors are also taken into consideration.
  - (2) In accordance with Article 3 Item 2 Paragraph 1 of Remuneration Committee Charter of the Company, performance evaluation and remuneration to directors and managers shall take factors into account including industry average remuneration, individual's performance (e.g. productivity, work knowledge, work quality, work attitude, interpersonal relationship, and flexibility) regularly evaluated in accordance with the Regulation of Performance Evaluation, the Company's operating performance (e.g. financial indicators and non-financial indicators), and future risk exposure. The remuneration to general manager and vice presidents is determined mainly based on the Company's earnings, while taking into account each individual's participation, contribution and performance, as well as the level of remuneration paid by peers.

## 3.4 Corporate governance practices and status of compliance

### 3.4.1 Operations of the Board of Directors

The Board held 5 meetings (A) in 2022 with the attendance record of Board members as follows:

Title	Name	Actual Attendance (B)	Attendance by proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Dai, Hung-Chuan	5	0	100	-
Director	Tsao, Hsih-Chung	5	0	100	-
Director	Liu, Yun-Chang	5	0	100	-
Director	Chang, Chun-Shu	5	0	100	-
Director	Tsao, Hung Yu	5	0	100	-
Director	Dai, Hung-I	5	0	100	-
Independent Director	Hung, Chao-Nan	5	0	100	-
Independent Director	Huang, Hsiang-Ying	5	0	100	-
Independent Director	Kung, Yi-Lu	5	0	100	-

Other required information:

- In the event of either of the following situations, dates, sessions, contents of resolutions of the Board Meetings, opinions from all independent directors, and Company responses to their opinions should be noted:
  - Matters referred to in Article 14-3 of the Securities and Exchange Act: since the Company has established the Audit Committee, disclosure required by Article 14-3 is not applicable. For explanations on the matters, please see the Operations of the Audit Committee.
  - Any resolution, to which an independent director objects or expresses reservations, has been recorded or declared in writing: None.
- If there is any directors' avoidance of motion in conflict of interest, the directors' name, content of motion, cause for avoidance and voting should be specified: Before the motions are read, the master of meetings will remind the directors who have a personal interest in the motion to depart from the field in each board meeting. In the year 2022 up to the date of publication of the annual report, total 7 board meetings were held and all were conducted in accordance with Rules and Procedures for Meetings of the Board of Directors. There were no motions that the directors should be avoided due to conflict of interests.
- TWSE/TPEX Listed Companies shall disclose such information as the evaluation cycle, evaluation periods, scope, method and content of the Board of Directors' self-evaluation or peer evaluation, and fill in the implementation status of the Board of Directors' evaluation: The Company has established the "Regulation of the Self-Evaluation of the Board of Directors". Self-assessments on Board operations, functional committees and Board

members are conducted via surveys on annual basis. The 2022 performance evaluation and improvements for the Board and Functional Committees were reported to the Board of Directors on March 10, 2023. The weighted average score for the overall performance of the Board of Directors is 4.78 out of 5. The weighted average score for the performance of the individual directors is 4.92 out of 5. The weighted average score for the performance of the Audit Committee is 4.91 out of 5. The weighted average score for the performance of the Remuneration Committee is 5 out of 5. The overall board's evaluation is great.

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation form January 1, 2022 to December 31, 2022	Evaluation of the board of directors and individual directors	Internal evaluation of the board	<p>(1) The board performance evaluation of the Company includes five aspects:</p> <ul style="list-style-type: none"> <li>■ Participation in the operation of the company</li> <li>■ Improvement of the quality of the board of directors' decision making</li> <li>■ Composition and structure of the board of directors</li> <li>■ Election and continuing education of the directors</li> <li>■ Internal control</li> </ul> <p>(2) The individual director's evaluation of the Company includes six aspects:</p> <ul style="list-style-type: none"> <li>■ Alignment of the goals and missions of the company</li> <li>■ Awareness of the duties of a director;</li> <li>■ Participation in the operation of the company</li> <li>■ Management of internal relationship and communication</li> <li>■ The director's professionalism and continuing education</li> <li>■ Internal control</li> </ul>
Once a year	Performance evaluation form January 1, 2022 to December 31, 2022	Evaluation of the Audit Committee	Internal evaluation of the Audit Committee	<p>The Audit Committee evaluation includes five aspects:</p> <ul style="list-style-type: none"> <li>■ Participation in the operation of the company</li> <li>■ Awareness of the duties of the Audit Committee</li> <li>■ Improvement of quality of decisions made by the Audit Committee</li> <li>■ Makeup of the Audit Committee and election of its members</li> <li>■ Internal control</li> </ul>
Once a year	Performance evaluation form January 1, 2022 to December 31, 2022	Evaluation of the Remuneration Committee	Internal evaluation of the Remuneration Committee	<p>The Remuneration Committee evaluation includes four aspects:</p> <ul style="list-style-type: none"> <li>■ Participation in the operation of the company</li> <li>■ Awareness of the duties of the Remuneration Committee</li> <li>■ Improvement of quality of decisions made by the Remuneration Committee</li> <li>■ Makeup of the Remuneration Committee and election of its members</li> </ul>

4. Measures taken to strengthen the functionality of the Board of Directors in recent years and implementation status:

(1) Strengthen the functionality of the Board of Directors:

The Company established functional committees to strengthen the functionality of the Board of Directors. The Remuneration Committee (established on 15 March 2012) and the Audit Committee (established on 15 June 2017). The Committee is composed of an entire number of independent directors. The independent directors have a wide range of expertise in accounting, finance, business and law, and often provide effective and professional advice on issues relating to corporate finance, management, new investment plans, internal control, and risk control at board meetings; The committee members in accordance with his/her professionalism and independence, make review comments to the Board of Directors in order to ensure the appropriateness of the Company's financial and non-financial reports, the effectiveness of the internal control system, and the reasonableness of the performance evaluation and remuneration of the Company's directors and managers.

(2) Improve information transparency:

The Company has established a comprehensive spokesman system to ensure timely disclosure of all material Information for the reference of shareholders and stakeholders on the financial position and operation of the Company. The Company's website is constantly updated to provide timely information of operations, financial standing and corporate governance to ensure that shareholders have access to the latest information.

(3) Liability insurance for directors and managers:

In order to reduce the legal and financial burden of management team and lessen the possible damage to directors and the Company on exercising their duties, the Company has, since 2010, purchased liability insurance for directors and management team. The current insured amount is US\$7 million, and the insurance expires in January 2023 and has been renewed and approved by the Board on March 10, 2023.

(4) The implementation status of the Board of Directors' functionality:

- To implement the internal control systems, the Board of Directors passed the Operating Procedures for Handling Material Inside Information and Preventing Insider Trading on November 10, 2022.
- To actively promote corporate governance, the Company amended part of Ethical Corporate Management Best Practice Principles on March 23, 2020, and amended part of Sustainability Development Best Practice Principles on March 10, 2023. We reported the implementation status of promoting ethical management affairs to the Board of Directors annually.
- To strengthen the functionality of the Board of Directors, the amendment of the Regulation of the Self-Evaluation of the Board of Directors was approved by the Board of Directors on March 23, 2021. We carry out an internal evaluation every year.
- On March 23, 2021, the Board of Directors resolved to appoint the corporate governance officer responsible for provision of information required for performance of duties by the directors and assistance in complying with laws and regulations. The corporate governance officer assists directors in continually attending courses to acquire updated knowledge and aim to assume their roles effectively.

- To set a long-term goal with stable and sustainable development, the Board of Directors passed the Risk Management Policy and Procedure and Risk Management Best Practice Principles on March 22 and November 10, 2022, formulating the guidelines for the assessment of the risk of the environmental, social, and corporate governance issues that may affect the operation of the Company and relevant countermeasures.
- To enhance corporate information security, the Company resolved to appoint information security officer. The 2021 implementation result was reported to the Board of Directors on May 10, 2022.

### **3.4.2 Operations of Audit Committee and the participation of supervisors in the Board operation**

#### **1. Operations of Audit Committee**

- (1) The operation of Audit Committee: The Audit Committee of the Company consists of 3 independent directors with diversified professional background and financial expertise such as—legislator for eight consecutive terms, member of the Control Yuan, senior certified public accountants, and general auditor of finance holding company. The Audit Committee holds meetings before board meetings regularly every quarter, and reviews the following matters:
  - Review financial reports, business report, profit distribution proposal.
  - Review the effectiveness of internal control system.
  - Review the adoption of or any amendment to the relevant regulations of internal control system.
  - Review the material investment of the Company, adoption or amendment of acquisition or disposal of assets pursuant to Article 36-1
  - Review the offering, issuance, or private placement of any equity-type securities of the Company.
  - Review handling procedures for financial or operational actions of material significance, such as derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
  - Review the- matter bearing on the personal interest of directors.
  - Review the hiring or dismissal of an attesting CPA, or the compensation given thereto.
  - Review the appointment or discharge of a financial, accounting, or internal auditing officer.
  - Review the assessment report of the independence and suitability of the CPA engaged by the Company.
  - Review the internal audit report.
- (2) The Audit Committee, comprising 3 independent directors, was set up on June 15, 2017, and assists the Board of Directors in supervising fair presentation of the financial reports of this Corporation, reviewing the assessment report on the independence and competency of the CPA firm, effectiveness of internal control, compliance with relevant laws and regulations, risk management and so on.  
Audit Committee held 5 meetings (A) in 2022 with the attendance record of members as follows:

Title	Name	Actual attendance (B)	Authorized attendance	Actual attendance Rate (%) (B/A)	Remarks
Chairman	Hung, Chao-Nan	5	0	100	-
Member	Huang, Hsiang-Ying	5	0	100	-
Member	Kung, Yi-Lu	5	0	100	-

Other required information:

1. If any of the following circumstances occurs in the course of the Audit Committee's operations, please indicate the date of the Audit Committee meeting, session number, contents of the motion, as well as independent Directors' objections, reservations, or important suggestions, resolutions of the Audit Committee, and the Company's handling of the Audit Committee's opinions:

■ Matters listed in Article 14-5 of the Securities and Exchange Act.

Meeting Date of Audit Committee	Content of Motion	Members' opinion to resolutions and the Company's response
2022.03.22	1. Resolution of 2021 employees' compensation and directors' remuneration.	Approved by all members of Audit Committee
	2. Resolution of 2021 financial statements.	
	3. Resolved the 2021 Financial reports.	
	4. Resolved 2021 profit distribution.	
	5. Resolution of the evaluation of external auditor's independence.	
	6. Approval of the Statement of Internal Control System.	
	7. Resolution of setting up the 2nd aseptic beverage filling production line at Hon Chuan Food Packing (Zhanzhou).	
	8. Resolution of setting up the packing material production line at the 2nd Hon Chuan Food Packing (Chuzhou).	
	9. Resolution of building frozen (refrigerated) warehouse facilities at Port of Taichung Free Trade Zone.	
	10. Resolution of building employees' dormitory in Wuqi district, Taichung City.	
	11. Resolution of amendments to "Articles of Incorporation."	
	12. Resolution of amendments to "Procedures for Acquisition or Disposal of Assets."	
	13. Resolution of amendments to "Corporate Governance Best-Practice Principles."	
	14. Resolution of amendments to "Sustainable Development Best Practice Principles."	
	15. Resolution of stipulations to "Risk Management Policy and Procedure."	
	16. Resolution of decrease of corporate guarantee for subsidiaries.	
2022.05.10	Resolved the 1st quarter of 2022 consolidated financial statements.	Approved by all members of Audit Committee
2022.06.17	Resolution of increase (decrease) of corporate guarantee for subsidiaries.	Approved by all members of Audit Committee
2022.08.09	1. Resolved the first half of 2022 consolidated financial statements.	



	2. Resolution of the Company established Hon Chuan Enterprise Packing (Quzhou) Co., Ltd. in Zhejiang, China, to invest beverage packaging production line.	Approved by all members of Audit Committee
	3. Resolution of the Company purchased land in the KIIC industrial estate at Karawang Regency, West Java, Indonesia.	
2022.11.10	1. Resolved the 3rd quarter of 2022 consolidated financial statements.	Approved by all members of Audit Committee
	2. Resolution of the Company build the plant and establish production lines in the KIIC industrial estate at Karawang Regency, West Java, Indonesia.	
	3. Resolution of the Company acquired a 100% equity of Hon Chuan Malaysia Sdn. Bhd. due to group structural adjustment.	
2023.03.10	1. Resolution of 2022 employees' compensation and directors' remuneration.	Approved by all members of Audit Committee
	2. Approval of 2022 financial statements.	
	3. Approval of 2022 consolidated financial statements.	
	4. Resolution of 2022 profit distribution.	
	5. Resolved to issue the 2023 domestic unsecured corporate bonds.	
	6. Resolution of the evaluation of external auditor's independence.	
	7. Resolution of pre-approving non-assurance services provided by the attesting CPAs, affiliated accounting firm and enterprises to the Company and its subsidiaries.	
	8. Approval of the Statement of Internal Control System.	
	9. Resolution of setting up the 2nd aseptic beverage filling production line at Hon Chuan Food Packing (Zhanzhou) (funding changes)	
	10. Resolution of amendments to "Articles of Incorporation."	
	11. Resolution of amendments to "Rules and Procedures for Meetings of the Board of Directors."	
	12. Resolution of amendments to "Corporate Governance Best-Practice Principles."	
	13. Resolution of amendments to "Sustainable Development Best Practice Principles."	
	14. Resolution of amendments to "Rules and Procedures for Shareholders' Meeting."	
	15. Resolution of decrease of corporate guarantee for subsidiaries.	
2023.04.18	1. Resolution of amendments to "Rules and Procedures for Shareholders' Meeting."	Approved by all members of Audit Committee
	2. Resolution of stipulation of "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises."	

- Besides above circumstance, any resolutions which are not resolved by Audit Committee but are approved by more than 2/3 of all directors: None.

2. If there is any independent directors' avoidance of motion in conflict of interest, the independent directors' name, content of motion, cause for avoidance and voting should be specified: None. There were no motions that the independent directors should be avoided due to conflict of interests..

3. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):

- (1) The Company has established an Audit Committee to communicate independently with internal chief audit and CPAs at least twice a year without Directors' and management's participation. In addition to audit reports, CPAs shall also report on the audit of financial statements. If there are other important matters or matters that Independent Directors, the chief audit, and CPAs believe should be communicated independently, meetings may be held at any time to communicate results, which should be recorded in the meeting minutes. The communication status between independent directors and the chief audit:

Date	Meeting	Item discussed	Opinion of Independent Directors
2022.03.22	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2021 Management's reports on internal control.	All independent directors had no opinion
2022.05.10	Auditing meeting	Reviewed the Audit report and Defects follow-up report.	All independent directors had no opinion
2022.06.17	Auditing meeting	Reviewed the Audit report and Defects follow-up report.	All independent directors had no opinion
2022.08.09	Auditing meeting	Reviewed the Audit report and Defects follow-up report.	All independent directors had no opinion
2022.11.10	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2023 Annual audit plans.	All independent directors had no opinion
2023.03.10	Auditing meeting	1. Reviewed the Audit report and Defects follow-up report. 2. Reviewed the Company's 2022 Management's reports on internal control.	All independent directors had no opinion

- (2) The communication status between independent directors and CPAs

Date	Meeting	Item discussed	Opinion of Independent Directors
2022.03.22	Auditing meeting	1. Discussed about the content, adjusting entries, audit scope and approach, key audit matters of 2021 individual and consolidated financial statements and auditors' report. 2. Report of regulatory development with regard to financial accounting and corporate governance.	All independent directors had no opinion
2022.08.09	Auditing meeting	1. Discussed about the content, adjusting entries of the first half of 2022 consolidated financial statements and auditors' report. 2. Report of regulatory development with regard to financial accounting and corporate governance.	All independent directors had no opinion

2023.03.10	Auditing meeting	<ol style="list-style-type: none"> <li>1. Discussed about the content, adjusting entries, audit scope and approach, key audit matters of 2022 individual and consolidated financial statements and auditors' report.</li> <li>2. Report of regulatory development with regard to financial accounting and corporate governance.</li> <li>3. Discussion the rules in connection with pre-approving non-assurance services provided by the attesting CPAs, affiliated accounting firm and enterprises to the Company and its subsidiaries.</li> <li>4. CPAs provide their Audit Quality Indicators report, including 5 aspects and 13 indicators: professionalism, independence, quality control, inspection, innovation ability, etc. Therefore, the Audit Committee can objectively evaluate the audit quality and commitment of accounting firm and audit team.</li> </ol>	All independent directors had no opinion
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## 2. Supervisors' participation in the operation of the Board of Director:

The Company established the Audit Committee in 2017 to replace the supervisor, so it's not applicable.

### 3.4.3 The Company's implementation of corporate governance and its deviating from the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the root cause

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
1. Has the Company developed and disclosed corporate governance guidelines based on TWSE regulation?	V		The Company has drawn up "Corporate Governance Best-Practice Principles" based on TWSE regulation, which was amended by the Board of Directors on March 10, 2023. The Company has disclosed on its official website ( <a href="http://www.honchuan.com.tw">www.honchuan.com.tw</a> ) and the Market Observation Post System important management policies regarding protecting shareholders' rights, enhancing the responsibilities of the board of directors, respecting stakeholders' rights, elevating information transparency and so forth.	None
2. Shareholding Structure & Shareholders' Rights:				
(1) Has the Company developed and implemented internal operating processes in managing shareholders' advice, doubt, argument and lawsuit?	V		(1) The Company has designated spokesperson and Acting Spokesperson for handling shareholders' proposal, doubts, disputes and other related matters. Also, it sets up a specific mailbox to deal with shareholders' requests and other related matters in investor relationship section on the Company's website.	None
(2) Does the Company possess a list of major shareholders and a list of owners of these major shareholders?	V		(2) According to shareholders' list offered by stock affairs agency, the Company possesses a list of major shareholders and a list of owners of these major shareholders and declares insider shareholding outstanding regularly.	None
(3) Has the Company established and implemented with its affiliates risk management and firewall system?	V		(3) It is included in the Company's internal control system that personnel doing business within affiliates are considered as independent third party so as to prevent abnormal trading.	None
(4) Does the Company have a code of conduct to prevent the trading of company's stock by insiders with access to nonpublic information?	V		(4) The Company has drawn up "Procedures for Handling Material Inside Information", "Ethical Conduct Codes of Directors, Supervisors and Managers", "Ethical Corporate Management Best Practice Principles", "Operating Procedures for Handling Material Inside Information and	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			Preventing Insider Trading” and so forth, in order to establish policies of information process and disclosure, prevent information being spilled improperly, make sure the information which the Company discloses publicly consistent and accurate, prevent insider trading from happening. We educate the interior on laws and regulations related to the prevention of insider trading regularly. The course topic held on November 30, 2022, is the Prevention of Insider Trading Seminar. A total of 42 people participated, and the training hours were 30 minutes.	
3. Composition and Responsibilities of the Board of Directors: (1) Has the Board of Directors developed and implemented diverse corporate policies and targets regarding the composition of members?	V	V	(1) Based on “Corporate Governance Best-Practice Principles”, the Company has formulated an appropriate policy on diversity to select candidates with the knowledge, skills, disposition necessary to perform the duties to be its directors according to their industry and diverse professional background and the field of work and experience of individuals and gender, which is helpful to the overall development and operation of the Company. The Company's Board is comprised of a diverse group of professionals from different backgrounds, please refer to Page 19-20.  The Company's diversity policy targets and achievements: 1. Set up independent directors at least 1/3 of all directors: achieved 2. Board of directors must have at least one female director: achieved 3. At least one of the independent directors has certified public accountant license and financial expertise: achieved  The next term of the board of directors' target: 1. Female directors, at least 1/3 of all directors 2. Independent directors, at least 1/3 of all directors 3. At least four members under the age of 65. 4. At least one of the independent directors has the law,	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
(2) Besides existing Remuneration Committee and Audit Committee, is the company voluntarily setting up other functional committees?	√		certified public accountant license, and financial expertise. (2) Besides existing Remuneration Committee and Audit Committee, the Company is evaluating to set up other functional committees.	Other functional committees are being evaluated to set up. Conform to Corporate Governance Best-Practice Principles.
(3) Does the company have performance evaluation policy for the Board of Directors? Is the evaluation being conducted annually and regularly?	√		(3) The Company amended "Regulations Governing the Board Performance Evaluation" on March 23, 2021. According to the evaluation indexes, the Company has conducted the 2022 Board performance evaluation and self-evaluation by the board members of themselves or peers, and the results have been reported to the Board of Directors on March 10, 2023. The results of the evaluation are excellent. The advices and improvements to the Board of Directors include assisting all directors to attain the required hour of continuing education in accordance of regulations, and organizing various courses apart from professional skills for directors. The Company will devote to improve and enhance the functions of the Board of Directors.	None
(4) Does the Company evaluate certified public accountants' level of independence regularly?	√		(4) In order to strengthen the Company's corporate governance, according to Article 29 of "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and refer to R.O.C. Code of Ethics No. 10 of the Certified Public Accountants Association of the Republic of China on "Integrity, Fairness, Objectivity, and Independence." We reviewed and evaluated the independence and suitability of the accounting firm and requested an audit quality indicators report (AQIs) and a statement of independence from the CPA for evaluation. Based on the average of training hours and supportable ability are better than the standard of the same industry. In addition, the introduction of audit innovation tools to improve audit quality-related initiatives and plans in the past three years. The 2022 CPAs independence and suitability evaluation of the Company has been completed	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			and resolved by the Audit Committee and Board of Directors on March 10, 2023, and confirmed that there is no need to change the accounting firm. For CPAs independence and suitability evaluation results, please refer to Note 1.	
4. Whether the listed company sets up a suitable number of competent corporate governance personnel, and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to provide the information required by directors and supervisors, to assisting directors and supervisors with regulatory compliance, to handle the matters relating to the Board of Directors' and the shareholders' meeting to keep minutes during the Board of Directors' and the shareholders' meeting)?	V		On March 23, 2021, the Board of Directors of the Company resolved to appoint Ms. Chuang, Kuei-Ching, the Vice President of the Financial Department, as the corporate governance officer with more than three years of experience as the supervisor of finance and shareholder services at public companies. The main duties of this position are to handle of matters relating to the Board of Directors and shareholders' meetings in compliance with the law, preparation of minutes of Board of Directors meetings and shareholders meetings, assistance in onboarding and continuing education of the directors, provision of information required for performance of duties by the directors, assistance to the directors in complying with laws and regulations, assistance in Board performance evaluation and so forth.  Continuing education and training of head of corporate governance in 2022, please refer to page 65.	None
5. Has the Company formed channel of communication with stakeholders (including but not limited to shareholder, employee, customer, supplier and so on), set up stakeholders' section on the website, and responded properly to major corporate social responsibility issues of which they are concerned?	V		The Company's website has a stakeholders section, which provides exclusive communication channels for different stakeholders (including capital providers, government, suppliers/sub-contractors, clients, employees, local communities/people's organization, association/ academic research unit, etc.) in order to respond those major corporate social responsibility issues of which stakeholders are concerned. For details, please refer to the Company's website to download the environment social governance sustainable development report.	None
6. Does the Company assign professional stock affairs' agency in handling its affairs related to shareholders' meeting?	V		The Company appoints Stock Affairs Department of KGI Securities in handling the affairs related to shareholders' meeting, also, sets up Investor Relations Office to deal with related matters.	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
7. Information Disclosure:				
(1) Has the Company set up website to disclose finance, sales and corporate governance information?	V		(1) The Company's website has both Chinese and English versions. Also, there is an investor relationship section to disclose finance, sales and corporate governance information.	None
(2) Does the Company have any other way of information disclosure, such as setting up an English website, appointing appropriate person to collect and disclose information, implementing fully spokesperson system and webcasting investor conference?	V		(2) The Company establishes a spokesperson system to speak publicly in consistency, and Investor Relations Office which is responsible for collecting related information about the Company, disclosing and reporting material information, uploading information, pictures and PowerPoints of investor conference in Investors' section on the Company's website.	None
(3) Does the company announce and file annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		V	(3) The Company publicly announced and filed the 2022 financial statements in March, 2023, and publicly announced and filed the first, second, and third quarter financial statements of 2022 as well as the operating status of each month within the prescribed deadline.	The Company will carefully evaluate the probability of public announcement and filing of the annual financial statements within two months after the fiscal year end.
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights & care, investor relation, supplier relation, rights of stakeholders, directors' and supervisors' training record, implementation of risk management policy and risk measurement standard, implementation of customer policy and liability insurance for directors and supervisors)?	V		<p>1. Employee rights: The Company sets up Employee Welfare Committee to protect employee rights and provides comprehensive training, talent cultivation and promotion system.</p> <p>2. Employee care: The Company takes employee's physical and mental health into deep consideration. It offers dormitory, coffee bookstore, recreational facilities and Medical office (with professional medical staff, and doctor comes on-site regularly). Also, it sets up Labor Safety and Health Committee, which is responsible for employees' safety and health affairs and assistance of those physical and mental health problems. Moreover, it creates various complaint systems for employees to express opinions (monthly meeting, President mailbox, employee satisfaction survey and so on), and gives appropriate respond and improvement.</p>	None



Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
	V		<p>3. Investor relation: The Company continues to maintain positive interaction with investors, including building up an investor relations zone on the website, disclosing prompt financial information, holding investor conference more than once a season, attending investment forum irregularly, setting up investment service team and implementing fully spokesperson system to form diverse communication channels with investors.</p> <p>4. Supplier relation &amp; Rights of stakeholders: The Company has identified major stakeholders through internal meetings and discussions with the ESG sustainable development committee. Also, the Company sets up the consultation and communication channels with stakeholders, assigns personnel to receive, record, reply the diverse messages from stakeholders and corresponding response. The Company publicly discloses the communication information with stakeholders via its website. It also keeps a great conversation and communication with suppliers and stakeholders via diverse communication channels and information disclosure.</p> <p>5. Directors' continuing training status: All directors of the Company have professional industry background and practical experience of business management, and they participate in further studies irregularly.</p> <p>6. Implementation status of risk management assessment:</p> <p>A. The Company passed "Risk Management Policy and Procedure" and "Risk Management Best Practice Principles" on March 22 and November 10, 2022, formulating the guidelines for assessment of the risk of the environmental, social and corporate governance issues that may affect the operation of the Company and relevant countermeasures. For details, please refer to the Company's the environment social governance sustainable development report.</p> <p>B. Any significant issues in regards to operating policy, investment, endorsement, loan and financing are</p>	None

Item	Implementation Status			Reason for Deviations from Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
	V		<p>evaluated by the designated departments, which exercise the resolution determined by the Board meetings. Moreover, Internal auditors conduct yearly auditing plan drafted based on the result of risk assessment and execute in order to effectively carry out the supervision as well as control the risks.</p> <p>Please refer to page 276 to 281 “analysis and assessment of risk items” in this annual report.</p> <p>7. Implementation of customer policy: The Company devotes to quality improvement and vertical integration and provides complementary services in every aspect; thus, its customers may focus on brand management, channel expansion and enhancement of market competition advantages. Please refer to page 90 to 99 “overview of market, production and sales” in this annual report.</p> <p>8. Liability insurance for directors: The Company purchases liability insurance for all directors (independent directors) every year, the insured amount is USD 7 million now. The major contents of liability insurance, which expired and then renewed in January 2023, such as the insured period, insured amount, coverage, premium rate and so on have been resolved by the Board of Directors on March 10, 2023.</p>	None
9. According to the result of Corporate Governance Evaluation issued in the most recent year by Corporate Governance Center of Taiwan Stock Exchange, please explain the improvement status, and give priority to matters and measures that have not yet been improved:				
No	Index		Improvement Status	
1.6	Did the company hold the AGM before the end of May?		The Company has scheduled to hold the AGM on 31 May, 2023.	
1.15	Did the company adopt bylaws prohibiting insiders, including directors and employees, from using information not publicly disclosed in the market to trade securities, with content including (but not limited to) a prohibition against directors trading the company's stock during a blackout period of 30 days before the publication of the company's annual financial report and 15 days before the publication of each quarterly financial report, and were those bylaws and the status of their implementation disclosed on the company's website?		The Company passed “Corporate Governance Best-Practice Principles” on March 10, 2023, and disclosed on the company's website.	

Note 1: The criteria to examine the independency of the CPAs

No	Evaluation Item	Result	Independency
1	Whether the appointed CPA has a direct or significant indirect financial interest relationship with the Company.	No	Yes
2	Whether the appointed CPA has any inappropriate relationship with the Company.	No	Yes
3	Whether there is any financing or guarantee relationship between the appointed CPA and the Company or the supervisors of the Company.	No	Yes
4	Whether the appointed CPA receives any commissions related to the business.	No	Yes
5	During the audit period, whether the appointed CPA oneself and one's spouse or dependent relatives is the supervisor, manager of the Company or serving the position which has significant impact on the audit case.	No	Yes
6	Whether the appointed CPA is the defendant of the Company or on behalf of the Company for coordinating the conflict with other third parties.	No	Yes
7	Whether the appointed CPA accepts any highly valuable gifts from the Company's supervisors or managers.	No	Yes
8	Whether the appointed CPA propagates or intermediates shares or other securities issued by the Company.	No	Yes
9	Whether the appointed CPA holds a part-time work at the Company and receives fixed salary from the Company.	No	Yes
10	Whether or not the appointed CPA is jointly investing or sharing the interests of the Company.	No	Yes
11	Whether the appointed CPA is involved in the management competency of the Company.	No	Yes
12	Whether the title of appointed CPA has been used by others.	No	Yes

### 3.4.4 Composition, Responsibilities and Operations of Remuneration Committee

#### 3.4.4.1 Information of Remuneration Committee Members

Identity	Terms Name	Professional Qualification and Experience	Independence Status	Serving as a Remuneration Committee member of another public company
Independent director	Hung, Chao-Nan	Please refer to “3.2.1.4 The Diversity and Independence of the Board of Directors” on page 19-20		None
Independent director	Huang, Hsiang-Ying			3
Independent director	Kung, Yi-Lu			None

#### 3.4.4.2 Operation status of Remuneration Committee

- (1) There are 3 members in Remuneration Committee of the Company.
- (2) Current term of office: From June 19, 2020 to June 18, 2023. A total of 2 (A) Remuneration Committee meetings were held in 2022.

The qualification and attendance record of the Remuneration Committee members were as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Hung, Chao-Nan	2	0	100%	-
Member	Huang, Hsiang-Ying	2	0	100%	-
Member	Kung, Yi-Lu	2	0	100%	-

Other required information:

1. If the Board of Directors does not accept or amend the suggestions of the Remuneration Committee, please state the Board meeting date, term, the motions, content of the resolutions of the Board, and the Company's handling the opinions proposed by the Remuneration Committee: None.
2. For resolutions approved by the Remuneration Committee regarding which independent director objects or expresses reservations, and has been recorded or declared in writing, the Remuneration Committee meeting date, term, content of the resolution, opinions of all members, and the handling of the opinions of the members: None.

- (3) The meeting contents, resolution results and the Company's response to the opinions of members of the Remuneration Committee:

Meeting Date of Remuneration Committee	Content of Motion	Resolution and opinion of Remuneration Committee	The Company's response to opinion of Remuneration Committee
2022.03.22	1. Resolved the Company's 2021 directors' compensation, bonus of employees and managers	Approved by all members of Remuneration Committee.	Been submitted to the Board of Directors, and resolved by all present directors.
	2. Resolved the Company's 2022 promotion of executives.		
2022.05.10	Resolved the Company's 2021 bonus of respective employees and managers		

### 3.4.5 The State of the Company's Promotion of Sustainable Development, any Variance from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for any Such Variance

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
1. Has the Company established exclusively (or concurrently) dedicated units to implement sustainable development, and has the board of directors appointed executive-level positions with responsibility for sustainable development, and supervision of the board of directors?	V		<p>The Company's "Corporate Social Responsibility Promotion Committee" was also established in October 2019 (it was renamed the "Sustainable Development Committee" on May 2021). In 2021, we promoted a sustainable development strategy(including sustainable policy and setting short/middle/long term goals) and amended the "Sustainable Development Best Practice Principles" on March 10, 2023. Our board of directors values the issue of environmental protection and climate change. The chairman leads the Sustainable Development Committee and supervises every project team to set objectives, execute and review results. In 2021, we focused primarily on climate change management(including the Greenhouse Gas inventory program and carbon footprint), occupational safety and environmental management measures, and making sustainability disclosures. Resolution of ESG issues in the Board meeting in 2022:</p> <p><b>March 22:</b> (1) Resolution of building employees' dormitory in Wuqi district, Taichung City ; (2) Resolution of amendments to "Articles of Incorporation"; (3) Resolution of amendments to "Procedures for Acquisition or Disposal of Assets"; (4) Resolution of amendments to "Corporate Governance Best-Practice Principles"; (5) Resolution of amendments to "Sustainable Development Best Practice Principles"; (6) Resolution of stipulations to "Risk Management Policy and Procedure"; (7) Report on the implementation of ethical management in 2021.</p> <p><b>June 17:</b> (1) Report on the Company's performance of ESG and the issues that stakeholders are concerned with and risk management operations in 2021; (2) Resolution of the Company draws up to control the situation of GHG inventory and confirmation and disclosure schedule.</p> <p><b>November 10:</b> Report on the Group (including subsidiaries ) GHG inventory and confirmation and disclosure schedule.</p>	None

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			<p>The 2022 implementation status is expected to report to the Board of Directors on May 31, 2023. The Company officially releases an ESG sustainable report by the end of June. For details, please refer to the Company's website.</p> <p>The main purposes of the Company's implementation of ESG (sustainable environment, social participation, corporate governance), increase corporate sustainability capabilities, enhance the Company's corporate image, and fulfill corporate social responsibility.</p>	
2. Has the Company conducted risk assessment on environmental, social and corporate governance issues related to business operations of the Company in accordance with the concept of materiality and established relevant risk management policies or strategies?	V		<p>The Company passed "Risk Management Policy and Procedure" and "Risk Management Best Practice Principles" on March 22 and November 10, 2022, by the Board of Directors. The Company has conducted risk assessments on environmental, social, and corporate governance issues based on material principles. To reduce the impact of potential risk losses, the Company has planned that each functional unit shall identify potential risks, assess the environmental, social and corporate governance issues that may affect the Company's operations, and adopt comprehensive risk control and management from all personnel to set up successively defensive lines. When risk damage occurs, the Company has an internal crisis management team to quickly take corresponding measures and carry out relevant management and control to ensure the enterprise's survival and quickly resume normal production and business activities. The 2021 implementation status is expected to report to the Board of Directors on May 31, 2023.</p> <p>For more details, please refer to 5.2 Risk Management in CH5 Ethics Governance of the 2022 ESG Sustainable Report.</p>	None
3. Sustainable Environment Development: (1) Dose the company develop proper environmental management policy suitable for its industry characteristics?	V		<p>(1) The Company offers beverage packaging products and OEM filling service, and the production processes are related to environmental protection, food safety, and customer health and so on. In order to implement completely social responsibility, comply with national regulations and other requests, it devotes to the prevention of environmental pollution and enhancement of employees' safety and health</p>	None

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>in work place. Also, it sets up the "Occupational Safety and Health Center" to reach a consensus of "Zero accident and Zero pollution" among all employees. The Company has received many approvals, such as Occupational Health and Safety Management System (ISO45001, CNS45001), Environmental Management System (ISO 14001) and so forth. The Occupational Safety and Health and divisions of air pollution, water pollution and waste are responsible for carrying out related prevention control management affairs.</p> <p>(2) The Company carries out the environmental protection policy from three aspects, which are Reduce, Reuse and Recycle, and actively innovates light-weight of plastic cap and PET bottle to reduce the consumption of raw material and carbon emission. Moreover, Hon Chuan continuously researches and develops the application of biodegradable materials, biomass materials and recyclable materials. In recent years, we have already used the vegetal PET resin to produce the bottles. It's estimated to reduce 63,720 liters of oil consumption and 480 tons of carbon emission every year. Hope to make contribution on the natural sustainability and corporate social responsibility.</p>	None
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	V		<p>(3) After assessing the environmental risks, the Company's response to climate change are as follows:</p> <ol style="list-style-type: none"> <li>1. Purchase goods according to plan and select the supply source, origin and production mode, etc., to avoid the impact of cost due to climate change and natural disasters.</li> <li>2. Carefully evaluate and actively develop new material sources, in addition to reducing the risk of interruption, and use alternative materials and formulations that are more environmentally friendly.</li> </ol>	None
(4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy	V		<p>(4) The Company attaches importance to and actively promotes the issues related to environmental protection, formulates environmental policies and promotes the implementation. Every year, the Company counts the total amount of electricity consumption, greenhouse gas emissions, water</p>	None

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies																				
	Yes	No	Description																					
conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?			<p>consumption and waste disposal and compiles the statistics to set the goals after analysis and evaluation.</p> <p>The greenhouse gas emissions, water consumption, and waste management in the past two years are as follows:</p> <p>1. Greenhouse gas emissions: (Taiwan plant) <span style="float: right;">Units: tons</span></p> <table><tr><th></th><th>2022</th><th>2021</th><th>YOY%</th></tr><tr><td>Scope1</td><td>16,670</td><td>14,477</td><td>+15.2%</td></tr><tr><td>Scope2</td><td>73,819</td><td>72,100</td><td>+2.4%</td></tr><tr><td>Total Emissions Intensity (scope 1+2 )</td><td>11.164</td><td>11.564</td><td>-3.5%</td></tr></table> <p>Explanation: The benefits of power saving measures, production line efficiency improvements and overall production increases resulted in a decrease in total emissions intensity in 2021.</p> <p>Note : Scope1: Direct greenhouse gas emissions Scope2: Indirect greenhouse gas emissions Emissions Intensity= CO2e/Revenue NT\$ (million) The 1st Taichung plant obtained third party assurance statement ISO 14064-1:2018 in 2021 and 2022. The 2nd Taichung plant obtained third party assurance statement ISO 14064-1:2018 in 2022.</p> <p>Management policy and goal:</p> <table><tr><td>Policy</td><td>Attention to climate change Issues and active involvement in mitigation and adaptation</td></tr><tr><td>2022 Enforcement report</td><td>1. Conduct risk assessment, identification and adaptation to climate change based on TCFD's framework.</td></tr></table>		2022	2021	YOY%	Scope1	16,670	14,477	+15.2%	Scope2	73,819	72,100	+2.4%	Total Emissions Intensity (scope 1+2 )	11.164	11.564	-3.5%	Policy	Attention to climate change Issues and active involvement in mitigation and adaptation	2022 Enforcement report	1. Conduct risk assessment, identification and adaptation to climate change based on TCFD's framework.	
	2022	2021	YOY%																					
Scope1	16,670	14,477	+15.2%																					
Scope2	73,819	72,100	+2.4%																					
Total Emissions Intensity (scope 1+2 )	11.164	11.564	-3.5%																					
Policy	Attention to climate change Issues and active involvement in mitigation and adaptation																							
2022 Enforcement report	1. Conduct risk assessment, identification and adaptation to climate change based on TCFD's framework.																							



Item	Implementation Status						Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies		
	Yes	No	Description						
							2. Introduce and guidance ISO 14064-1 Greenhouse gases ➔ The 1st and 2nd Taichung plants have conducted inventory and third-party assurance.		
							3. Evaluate the utilization of solar power in the Company. ➔ Carry out solar power tendering in 2023.		
							4. Set up energy saving equipment. ➔ Invest NT\$1.759 million dollars in the equipment		
			2. Water consumption: (Taiwan plant) Units: million liters						
			Year		2022		2021		YOY
			Water consumption		1,662.14		1,580.42		+5.2%
			WRU	Packaging Business	Beverage Business	Packaging Business	Beverage Business	Packaging Business	Beverage Business
				51.10 (note 1)	3.55 (note 2)	51.57 (note 1)	3.61 (note 2)	-1%	-2%
			Note: 1. Packaging Business WRU: water consumption (tons) / NT\$ million revenue 2. Beverage Business WRU: water consumption (tons) / product (kiloliter)						
			Management policy and goal: <ul style="list-style-type: none"><li>Promote water cycle projects to reduce consumption, increase water resource utilization and reduce pollutant emissions.</li><li>To increase water reclamation rates and wastewater non-polluting emissions.</li></ul>						
			2022 Enforcement report: <ul style="list-style-type: none"><li>The consumption of recycled water in the beverage industry is 2.13 million liters annually, which increased by 9% compared with 2021.</li></ul>						

Item	Implementation Status					Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies																																		
	Yes	No	Description																																					
			<p>2023 Targets:</p> <ul style="list-style-type: none"><li>The consumption of recycled water in the beverage industry will achieve 2.35 million liters annually.</li></ul> <p>Relevant certifications:</p> <p>The 1st and 2nd aseptic beverage filling plants obtained Cleaner Production Assessment System of the Green Factory Label. The recovery rate of the recycled water measures of the 1st, 2nd, and 3rd aseptic beverage filling plants is expected to be verified by the end of 2023.</p> <p>5. Waste management: (Taiwan plant) <span style="float: right;">Units: ton</span></p> <table><tr><th>Year</th><th colspan="2">2022</th><th colspan="2">2021</th><th colspan="2">YOY</th></tr><tr><td>Hazardous waste</td><td colspan="2">114.22</td><td colspan="2">72.89</td><td colspan="2">+56.70%</td></tr><tr><td>Non-hazardous waste</td><td colspan="2">14,137.32</td><td colspan="2">11,705.71</td><td colspan="2">+20.77%</td></tr><tr><td rowspan="2">Intensity</td><td>Packaging Business</td><td>Beverage Business</td><td>Packaging Business</td><td>Beverage Business</td><td>Packaging Business</td><td>Beverage Business</td></tr><tr><td>0.933 (note 1)</td><td>0.0244 (note 2)</td><td>0.55 (note 1)</td><td>0.0248 (note 2)</td><td>+67%</td><td>-2%</td></tr></table> <p>Note: 1. Packaging Business Intensity: waste weight (tons)/ million revenue 2. Beverage Business Intensity: waste weight (tons)/ product (kiloliter)</p> <p>Explanation: Since 2022, the packaging materials business has added new requirements for the proper disposal of scrap steel, aluminum and waste paper for flow control, resulting in an increase in total waste volume.</p> <p>Management policy and goal:</p> <ul style="list-style-type: none"><li>To track waste flow, ensure that all waste is treated properly, and promote waste recycling ; a 100% visiting rate for the waste contractor.</li></ul> <p>2022 Enforcement report:</p> <ul style="list-style-type: none"><li>The plants in Taiwan achieve a 97% waste recycling rate.</li></ul>				Year	2022		2021		YOY		Hazardous waste	114.22		72.89		+56.70%		Non-hazardous waste	14,137.32		11,705.71		+20.77%		Intensity	Packaging Business	Beverage Business	Packaging Business	Beverage Business	Packaging Business	Beverage Business	0.933 (note 1)	0.0244 (note 2)	0.55 (note 1)	0.0248 (note 2)	+67%	-2%
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Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
			<p>2023 Targets:</p> <ul style="list-style-type: none"> <li>The plants in Taiwan achieve a 98% waste recycling rate.</li> </ul> <p>Relevant certifications:</p> <p>The 1st and 2nd Taichung plants and the 1st, 2nd, and 3rd aseptic beverage filling plants passed environmental management system certification ISO 14001 certifications. The expiration date of each plant is as follows: The 1st and 2nd Taichung plants: 2021.5.9-2024.5.9; The 1st, 2nd, and 3rd aseptic beverage filling plants: 2022.6.11-2025.6.11.</p> <p>For more details, please refer to CH6 Green Sustainability of the 2022 ESG Sustainable Report.</p>	
4. Social issues:				
(1) Does the company develop related management policies and procedures in compliance with relevant regulations and International Bill of Human Rights?	V		(1) The Company complies with International Bill of Human Rights, such as gender equality, rights at work and rights to prohibit discrimination, as well as the work rules and regulations stipulated by the Labor Standards Law and relevant regulations, and formulates human resources policies to ensure the rights and privileges of workers.	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		<p>(2) The Company has remuneration and various bonus plans. In addition to the basic salary and holiday bonus, the Company also provides employees with rewards according to the Company's operating conditions and the performance of each colleague, including performance bonus, over fulfillment bonus, year-end bonus, project bonus, extra dividend, and so on.</p> <p>Furthermore, the Company has also formulated work rules and related personnel management rules, which are in accordance with Labor Standards Law, Act of Gender Equality in Employment, and so on. The Employee Welfare Committee is responsible for implementation of welfare matters.</p> <p>The Company's pension reserve amount, at the end of 2022, was NT\$151,887,261. The Company's Labor Pension Act, please refer to</p>	None

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies																		
	Yes	No	Description																			
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		<p>page 107 in this annual report.</p> <p>To fulfill a diverse and equal workplace, the ratio of female in employee/ management in 2022 are as follows:</p> <table><tr><td></td><td>Number</td><td>Ratio</td></tr><tr><td>Female Ratio in Total employees</td><td>351</td><td>22.9%</td></tr><tr><td>Female Ratio in Junior Management</td><td>42</td><td>14.7%</td></tr><tr><td>Female Ratio in Senior Management</td><td>3</td><td>5.7%</td></tr></table> <p>(3) The Company sets up not only the “Occupational Safety and Health Center” but also the “Occupational Safety and Health Committee” to devote to offer employees a safe and healthy working environment. All measures, such as establishing medical office, arranging attendant medical care, holding annual employee health check, creating labor safety hygiene brochure/monthly report, holding irregular safety &amp; health related speech, onsite operation educational training and disaster prevention drill, have detailed policy and been fully implemented.</p> <p>The number and rate of occupational injury were 2.41, increased by 4.38 times in 2022 compared with 2021; a total of 9 cases of employee occupational accident. The main reason is the lack of awareness of hazards and the need to strengthen supervision and management. In order to strengthen and enhance the awareness of occupational safety and reduce occupational disasters, the Company has been collecting cases inside and outside the factory since June 2022, and disseminating them to employees through e-newsletters. Occupational safety staff will conduct the morning briefing on weekdays to establish and cultivate the correct concept of occupational safety and disaster prevention, hoping to reduce the occurrence of occupational disasters.</p> <p>Safety and health educational training in the past two years is as follows:</p> <table><tr><td>Year</td><td>Training (number of session)</td><td>Training (number of hours)</td></tr><tr><td>2021</td><td>6,653</td><td>11,907</td></tr></table>		Number	Ratio	Female Ratio in Total employees	351	22.9%	Female Ratio in Junior Management	42	14.7%	Female Ratio in Senior Management	3	5.7%	Year	Training (number of session)	Training (number of hours)	2021	6,653	11,907	None
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Female Ratio in Total employees	351	22.9%																				
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2021	6,653	11,907																				

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies			
	Yes	No	Description				
			<table><tr><td>2022</td><td>8,265</td><td>13,242</td></tr></table>	2022	8,265	13,242	
2022	8,265	13,242					
(4) Does the company offer career development training program to employees?	V		All plants in Taiwan obtained occupational health and safety management systems ISO 45001 and CNS 45001 certifications.	None			
(5) Does the company comply with relevant regulations and international standards in customer's health and safety, privacy, sales, labeling and set policies to protect consumer's or client's rights and complaint procedures?	V		(4) In order to actively train personnel, the Company establishes the "Hon Chuan Academy" to devote to talents cultivation plans. Via various training channels, it provides related professional knowledge and skills for all positions. Hope personal career development and corporate can grow together. Please refer to page 106 to 108 "Labor Relations" in this annual report and the "Human Resource" and "CSR" section on the Company's website.  (5) In order to provide customers with products that meet requirements of customers, the laws and regulations, the Company identifies food safety hazards and effectively control the occurrence of risks, strengthening the control capability of food and quality safety. Since 1996, the Company has self-required the formation of a cross-functional team which is responsible for implementation of the establishment, promotion and maintenance of the food quality/safety management system, and has successively passed the certification of the ISO 9001 Quality Management System and the Food Safety System Certification 22000 (FSSC 22000) and TQF, and continuously improved and maintained the effectiveness of the system.  For the past few years, the Company has produced products in accordance with the Act Governing Food Safety and Sanitation on product liability and labeling requirements, without any illegal records. The Company also attaches great importance to the rights and interests of consumers and has set up a customer complaint service (the Sales Department) which handles the reply, review and report immediately.	None			
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health,	V		(6) For all contracts, the Company requests our suppliers to comply with all government laws as well as regulations relating to environment issues, occupational safety, health act, and labor right. If there is any violation, the	None			

Item	Implementation Status			Reason for Deviations from Sustainable Development Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Description	
and labor rights, and what is its implementation status?			entire penalty is on the suppliers, and the Company may terminate the contracts at any time. For details of supplier management, please refer to the Company's website: <a href="https://www.honchuan.com/en/csr/occupational-safety-and-health">https://www.honchuan.com/en/csr/occupational-safety-and-health</a>	
5. Does the Company refer to the guidelines for the preparation of internationally accepted reports in preparing its sustainable reports and other reports that disclose the Company's nonfinancial information? Did the aforesaid report obtain the assurance or accreditation of an impartial third party?	V		The Company has officially released a sustainability report since 2020, following the GRI Standards: 2021 issued by the Global Reporting Initiative (GRI), and the report is also compiled in accordance with the "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies" and the Sustainable Development Goals of the United Nations, and it has been verified by an independent third-party organization, SGS Taiwan.	None
6. If the Company has established the sustainable development principles based on "the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: Conform to Sustainable Development Best-Practical Principles.				
7. Other helpful information in understanding sustainable development: <ul style="list-style-type: none"> <li>a. We won the 2022 TCSA Enterprise Sustainability Award- Taiwan top 100 Sustainability Model Corporate Award and Sustainability Report Gold Award.</li> <li>b. We won the 2022 Taichung City Government Happiness Career- Five Stars Award and Happiness Benchmark Award.</li> <li>c. In 2022, we won the Workforce Development Agency "Gold Award and Honorable Mention Award in Labor Affairs</li> <li>d. In 2022, we signed the E. Sun Bank's Sustainability Partnership Initiative.</li> <li>e. We won the 2022 Excellence Award for Air Quality Purification Zones from the Environmental Protection Bureau, Taichung City Government</li> <li>f. We won the 2022 Outstanding Adopters of Air Quality Purification Zones from the Environmental Protection Administration Executive Yuan.</li> <li>g. The Company's corporate social responsibility performance, corporate governance, food safety, product services, sustainable environment, caring for employees / society, please refer to the Company's website to download the ESG sustainable development report: <a href="https://www.honchuan.com/en/csr/csr-reports">https://www.honchuan.com/en/csr/csr-reports</a></li> </ul>				
8. Please illustrate if the Corporate Social Responsibility Report has been certified: The Company's 2022 sustainability report has been verified by an independent third party organization, SGS Taiwan, according to the AA1000AP Account Ability Principles, and compliance with the GRI Standards: 2021 issued by the Global Reporting Initiative (GRI) and the Type 1 Moderate level.				

### 3.4.6 Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
1. Establishment of ethical corporate management policies and programs: (1) Does the company establish an ethical corporate management policy that was approved by the board of directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board and management to implement the policies?	V		(1) The Company has made the "Ethical Corporate Management Best Practice Principles" on November 12, 2015 which has been resolved by the Board of Directors that year and amended by the Board of Directors on March 23 and May 8, 2020. Also, the Company requires that from the Board of Directors, the senior management to all the colleagues must implement the commitment of the ethical management policy. This code has been published on the Company's website for reference by all stakeholders.	None
(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes preventive measures for conduct specified in Article 7, Paragraph 2 of the Ethical Corporate Management Best- Practice Principles for TWSE/TPEX Listed Companies?	V		(2) In order to ensure the implementation of ethical management, the Company has established the effective accounting system and internal control system. Moreover, the Company establishes supervisory mechanism to prevent the occurrence of internal dishonest and improper behaviors by primary tasks including establishing job descriptions, various organization and management policy of the Company, requesting all employees to sign the Employee Integrity Commitment, and requesting suppliers to sign the Representations and Warranties on Honesty and Integrity, and conducting regular and irregular internal control and audit by internal auditors every year .	None
(3) Does the company establish appropriate precautions against high-potential unethical	V		(3) The Company has formulated the "Corporate Governance Best Practice Principle", "Ethical Corporate Management Best Practice Principles",	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
conduct or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE listed companies?			"Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers", "Whistle-blowing Procedures for Violations of Ethical Corporate Management " and so on. Also, the Company has built the relevant anti-fraud measures, the operation procedures of ethical management, punishment and grievance system for violations, and implemented them entirely.	
2. Fulfill ethical management:				
(1) Does the company evaluate trading counterparties' ethical record and include ethics-related clauses in the contract?	V		(1) Before conducting business activity, the Company has evaluated the necessary ethical record of trading counterparties and included ethics-related clauses in business contracts.	None
(2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	V		(2) The Company's Board of Directors resolved the " Ethical Corporate Management Best Practice Principles " on March 23, 2020, which clearly stated that the Human Resources Department of the Company is responsible for promoting the ethical management policy, and the Auditing Office is responsible for the formulation and supervision of the ethical management policy and prevention plan. The execution of ethical management in 2022 was reported to the Board of Directors by the chief auditor on March 10, 2023.	None
(3) Does the company establish policy to prevent conflict of interest, provide appropriate communication channels for complaints and implement it?	V		(3) The handbook for employee has described clearly that employees are prohibited from withholding receivables or keeping receivables secretly. Also, it is prohibited that the Company has any transaction with specific person or employee's relatives, in order to avoid the damage of Company's benefit.	None
(4) Has the Company established effective systems for both accounting and internal control to implement ethical corporate management? Have	V		(4) In order to make sure the implementation of ethical management, the Company has established an	None



Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
<p>the internal auditors formulated related plans and checked the compliance of anti-unethical conduct based on the unethical risks assessed? Or does the Company commission a CPA for the audit task?</p> <p>(5) Does the company hold internal and external ethical corporate management training courses regularly?</p>	V		<p>effective accounting system, set up the independent auditing office under the organization of Board of Directors, and established an internal control system in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies".</p> <p>The Auditing Office prepares annual audit plans and projects according to the results of risk assessment every year. For the inspection result, the internal auditors will fully communicate with the inspected units, put forward improvement suggestions and track the improvement results. The defects and anomalies of the internal control system will be disclosed in the audit report.</p> <p>(5) The Company holds related courses in the "Ethical Corporate Management Best Practice Principles" to every new employee, and provides related educational trainings and promotion irregularly for directors, managers and employees. In 2022, the Company held in total 367 attendants and 183.5 hours of courses related to ethical corporate management.</p>	None
<p>3. Whistle-blowing system:</p> <p>(1) Has the Company established concrete whistle-blowing and rewarding systems and accessible whistle-blowing channels? Does the Company assign a suitable and dedicated individual for the case being exposed by the whistleblower?</p>	V		<p>(1) The Company has set up its " Whistle-blowing Procedures for Violations of Ethical Corporate Management", in which building up the policy of the Company's internal and external whistle-blowing channels and procedures. Whistler may report the whistle-blowing case through the following ways:</p> <ul style="list-style-type: none"> <li>• Email: <a href="mailto:ethics@mail.houchuan.com.tw">ethics@mail.houchuan.com.tw</a></li> <li>• Paper document: No.6, 2nd. Road, Industrial Park, Xitun Dist., Taichung Taiwan, R.O.C (To Auditing Office).</li> </ul>	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
(2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	V		Moreover, the Company sets up a president's mailbox and a stakeholder's section on its website, for clients, suppliers, subcontractors and employees to report or appeal.  (2) The Company has incorporated into internal control system with related regulations, clearly describing the punishment, appeal policy, whistle-blowing reward and confidentiality mechanism when any violation of ethical corporate management occurs.	None
(3) Does the company have protection mechanism for whistleblower?	V		(3) The Company sets up a protection policy for whistler in the "Whistle-blowing Procedures for Violations of Ethical Corporate Management". The personal data of the whistleblowers and interested parties, such as their names, telephone numbers and addresses, shall be kept strictly confidential. Those responsible for investigating the reporting matters shall also strictly observe the confidentiality of the whistleblowers and the matters reported. If it is necessary to disclose the identity of the whistleblower, the consent of the whistleblower shall be obtained, and all activities conducted by the whistleblower or his/her department or other relevant departments for the purpose of identifying the identity of the whistleblower shall be prohibited. If the identity of the whistleblower is accidentally exposed, the unit that accepts the whistle-blowing shall investigate the process of exposure, strictly deal with the identity and the contents of the whistleblower in accordance with the related regulations of the Company, and assign a person to investigate the content of whistle-blowing. If whistler's identity is exposed, the receiving unit of whistle-blowing shall investigate the process	None

Item	Implementation Status			Reason for Deviations from ECM Best-Practice Principles for TWSE Listed Companies
	Yes	No	Summary Description	
			of exposure and deal with it strictly in accordance with the Company's related regulations.	
4. Enhancing Information Disclosure: Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		The Company has set up an official website, which discloses our business culture and management strategy. Also, it discloses the implementation of ethical corporate management in the annual report. The General Administration Department of the Company is in charge with collecting and announcing the Company's information, and the setup of spokesman and his/her related information in accordance with regulations. In order to protect the rights and interests of relevant stakeholders, the Company is committed to providing multiple channels for the most immediate communication with stakeholders and exposing important information in a transparent, smooth and multi-faceted way. We have set up multiple channels for all kinds of stakeholders in the stakeholders' section of the Company's website to improve the efficiency of communication between the company and all stakeholders and enhance the transparency of information disclosure.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: Conform to the Ethical Corporate Management Best-Practical Principles.				
6. Other helpful information in understanding the Company's corporate social responsibility practices: 1. In order to fulfill the foundation of ethical corporate management, the Company complies with the Company Act, Securities and Exchange Act, Commercial Account Law, related regulations of TWSE/GTSM Listed Companies and other commercial behavior related laws. 2. In the "Rules and Procedures for Meetings of the Board of Directors" of the Company, it sets up the directors' interest avoidance policy, in which any director who has interest-conflicts between himself or his representative for any motion can't participate in the discussion and vote at the meeting. 3. The Company sets up the "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading" to prohibit the directors, supervisors, managers and employees from disclosing the internal material information to anyone. The Company holds educational training irregularly to directors, supervisors, managers and employees.				

### 3.4.7 Corporate Governance Guidelines and Regulations

In order to fulfill the management system of Board, the function of supervision and strength the management function, we had established the Regulation of Board of Directors Meetings by following Regulations Governing Procedure for Board of Directors Meetings of Public Companies. Besides, the Rules of Procedure for Shareholders Meetings, Remuneration Committee Charter were all published on the Company's website and MOPS.

### 3.4.8 Other Important Information Regarding Corporate Governance

All directors of the Company have industrial professional background and management practical skills, and their continuing education status were as follows:

Title	Name	Date of Election	Date of Course	Organizer	The course name	Duration
Director	Dai, Hung-Chuan	2020.06.19	2022.05.04	Taiwan Stock Exchange Corporation, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	3 hours
		2020.06.19	2022.09.06	Taiwan Institute of Directors	A Dramatic Era To Explore the Next Generation Core Competitiveness.	3 hours
		2020.06.19	2022.10.12	Securities and Futures Institute	2022 Corporate Insiders' Share Transfers and Law Compliance Seminar	3 hours
Director	Tsao, Hsih-Chung	2020.06.19	2022.10.12	Securities and Futures Institute	2022 Corporate Insiders' Share Transfers and Law Compliance Seminar	3 hours
Director	Chang, Chun-Shu	2020.06.19	2022.07.07	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.19	Securities and Futures Institute	2022 Corporate insiders 'Share Transfers and Law Compliance Seminar	3 hours
Director	Dai, Hung-I	2020.06.19	2022.07.13	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.05	Securities and Futures Institute	2022 Corporate insiders' Share Transfers and Law Compliance Seminar	3 hours
Director	Liu, Yun-Chang	2020.06.19	2022.04.22	Taiwan Institute for Sustainable Energy	Transform to Net Zero by 2030	3 hours
		2020.06.19	2022.05.12	Taiwan Stock Exchange Corporation, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	2 hours

Title	Name	Date of Election	Date of Course	Organizer	The course name	Duration
		2020.06.19	2022.07.20	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.12	Securities and Futures Institute	2022 Corporate insiders 'Share Transfers and Law Compliance Seminar	3 hours
Director	Tsao, Hung-Yu	2020.06.19	2022.07.20	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.12	Securities and Futures Institute	2022 Corporate insiders' Share Transfers and Law Compliance Seminar	3 hours
Independent Director	Hung, Chao-Nan	2020.06.19	2022.05.04	Taiwan Stock Exchange Corporation, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	2 hours
		2020.06.19	2022.07.13	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.06	Taiwan Stock Exchange Corporation, Taipei Exchange	Release Conference 2022: Reference guide for Independent Director & Audit Committee	3 hours
Independent Director	Huang, Hsiang-Ying	2020.06.19	2022.05.30	Taiwan Corporate Governance Association	Corporate Governance and Securities Law and Regulation	3 hours
		2020.06.19	2022.11.03	Taiwan Corporate Governance Association	Intellectual Property Management and Corporate Governance	3 hours
Independent Director	Kung, Yi-Lu	2020.06.19	2022.04.22	Taiwan Institute for Sustainable Energy	Transform to Net Zero by 2030	3 hours
		2020.06.19	2022.05.04	Taiwan Stock Exchange Corporation, Alliance Advisors, and Taiwan Corporate Governance Association	International Twin Summit	2 hours
		2020.06.19	2022.07.07	Taiwan Stock Exchange Corporation, Taipei Exchange	Sustainable Development Roadmap- Industry Theme Propagation	2 hours
		2020.06.19	2022.10.05	Securities and Futures Institute	2022 Corporate insiders 'Share Transfers and Law Compliance Seminar	3 hours

Continuing education and training of head of corporate governance in 2021 were as follows:

Title	Name	Date of Course	Organizer	The course name	Duration	Total education hours
Financial Dept. Vice President/ Head of Corporate Governance	Chuang, Kuei-Ching	2022.04.22	Taiwan Institute for Sustainable Energy	Transform to Net Zero by 2030	3 hours	12
		2022.07.20	Accounting Research and Development Foundation	"The Latest Corporate Governance Policy and Corporate Governance Evaluation Practice Analysis"	3 hours	
		2022.08.19	Accounting Research and Development Foundation	"Taxation Principle and Practice of Controlled Foreign Company(CFC)"	3 hours	
		2022.09.02	Accounting Research and Development Foundation	Law and Practice of Business Tax	3 hours	

### 3.4.9 The implementation of the internal control system

#### 3.4.9.1 Statement of Internal Control System

### **Taiwan Hon Chuan Enterprise Co., Ltd. Statement of Internal Control System**

Date: March 10, 2023

Based on the findings of a self-assessment, Taiwan Hon Chuan Enterprise Co., Ltd. (Hon Chuan) states the following with regard to its internal control system during the year 2022:

1. Hon Chuan's Board of Directors and Management team are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability, immediacy and transparency of report, and compliance with applicable regulations and laws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and Hon Chuan takes immediate remedial actions in response to any identified deficiencies.
3. Hon Chuan evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. Hon Chuan has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, Hon Chuan believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, immediacy and transparency of report, and compliance with applicable regulations and laws.
6. This Statement will be an integral part of Hon Chuan's Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been resolved by the Board of Directors in the meeting held on March 10, 2023, with none of the nine attending directors expressed dissenting opinions, and meanwhile, approved the content of this Statement.

Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman: Dai, Hung-Chuan

President: Tsao, Hsih-Chung

**3.4.9.2 If a CPA is commissioned to review internal control system specifically, the review report should be disclosed:** None.

**3.4.10 If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement:**None.

**3.4.11 Significant resolutions reached in the Shareholders' meeting and Board meeting in the most recent year and up to the publication of the annual report**

**3.4.11.1 Significant resolutions reached in the Shareholders' meeting**

Date	Important Resolution	Condition of Execution
June 17, 2022	<ol style="list-style-type: none"> <li>1. Approval of 2021 Business Report and Financial Statements.</li> <li>2. Approval of 2021 Profit Distribution Proposal.</li> </ol>	<ol style="list-style-type: none"> <li>1. Related statements have been submitted to competent authority and publicly reported in accordance with The Company Act and related regulations.</li> <li>2. Set up July 12, 2022 as the ex-dividend date, and the distribution has been completed.</li> </ol>

**3.4.11.2 Significant resolutions reached in the Board meeting**

Date	Major Proposals
March 22, 2022	<ol style="list-style-type: none"> <li>1. Report on the implementation of internal audits from November to December in 2021 and January to February in 2022.</li> <li>2. Report on the performance evaluation results of the board of directors, each director, audit committee, and remuneration committee of 2021.</li> <li>3. Report on the implementation of ethical management in 2021.</li> <li>4. Report on the promotion and execution of ethical management policy in 2021.</li> <li>5. Report on the establishment of the whistleblower system to ensure the effectiveness of policy implementation.</li> <li>6. Report on the Company's derivative transactions.</li> <li>7. Resolution of 2021 employees' compensation and directors' remuneration.</li> <li>8. Approval of 2021 financial statements.</li> <li>9. Approval of 2021 consolidated financial statements.</li> <li>10. Resolution of 2021 profit distribution.</li> <li>11. Resolution of 2021 business report.</li> <li>12. Resolution of holding the 2021 annual shareholders' meeting.</li> <li>13. Resolution of the place and the period of accepting the proposal of 2021 shareholders' meeting.</li> <li>14. Resolution of the evaluation of external auditor's independence.</li> <li>15. Approval of the Statement of Internal Control System.</li> <li>16. Resolution of the contents of directors' and officers' liability insurance renewal.</li> <li>17. Resolution of setting up the 2nd aseptic beverage filling production line at Hon Chuan Food Packing (Zhanzhou)</li> </ol>



Date	Major Proposals
	18. Resolution of setting up the packing material production line at the 2nd Hon Chuan Food Packing (Chuzhou) 19. Resolution of building frozen (refrigerated) warehouse facilities at Port of Taichung Free Trade Zone. 20. Resolution of building employees' dormitory in Wuqi district, Taichung City. 21. Resolution of amendments to "Articles of Incorporation". 22. Resolution of amendments to "Procedures for Acquisition or Disposal of Assets". 23. Resolution of amendments to "Corporate Governance Best-Practice Principles". 24. Resolution of amendments to "Sustainable Development Best Practice Principles". 25. Resolution of stipulations to "Risk Management Policy and Procedure". 26. Resolution of the 2022 appointment or discharge of employees of assistant vice president (inclusive) or higher position. 27. Resolution of decrease of corporate guarantee for subsidiaries.
May 10, 2022	1. Report on the implementation of Information Security Management. 2. Report on the implementation of internal audits from March to April in 2022. 3. Updated report on the Company's derivative transactions. 4. Approval of the 1th quarter of 2022 Consolidated Financial Statements.
June 17, 2022	1. Report on the Company's performance of ESG and the issues that stakeholders are concerned with and risk management operations in 2021. 2. Resolution of the date for cash dividend distribution. 3. Resolution of the Company draws up to control the situation of GHG inventory and confirmation and disclosure schedule. 4. Resolution of increase (decrease) of corporate guarantee for subsidiaries.
August 9, 2022	1. Report on the implementation of internal audits from May to July 2022. 2. Report on the Company's derivative transactions. 3. Approval of the first half of 2022 consolidated financial statements. 4. Resolution of the Company established Hon Chuan Enterprise Packing (Quzhou) Co., Ltd. in Zhejiang, China, to invest beverage packaging production line. 5. Resolution of the Company purchased land in the KIIC industrial estate at Karawang Regency, West Java, Indonesia.
November 10, 2022	1. Report on the implementation of internal audits from August to October 2022. 2. Report on the Company's derivative transactions. 3. Report on the Group (including subsidiaries ) GHG inventory and confirmation and disclosure schedule. 4. Approval of the 3rd quarter of 2022 consolidated financial statements. 5. Resolution of the Company build the plant and establish production lines in the KIIC industrial estate at Karawang Regency, West Java, Indonesia. 6. Resolution of the Company acquired a 100% equity of Hon Chuan Malaysia Sdn. Bhd. due to group structural adjustment. 7. Resolution of the Company's 2023 annual audit plans. 8. Resolution of stipulations to "Risk Management Best Practice Principles." 9. Resolution of the appointment of an information security officer and information security personnel. 10. Resolution of increase (decrease) of corporate guarantee for subsidiaries. 11. Resolution of excavation for potential business opportunities and M&A targets for a sustainable circular economy. The Company plans to invest in strategic investment funds. 12. Resolution of amendments to "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading."
March 10, 2023	1. Report on the implementation of internal audits from November to December in 2022 and January to February in 2023. 2. Report on the performance evaluation results of the board of directors, each director, audit committee, and remuneration committee of 2022. 3. Report on the implementation of ethical management in 2022. 4. Report on the promotion and execution of ethical management policy in 2022.

Date	Major Proposals
	<ol style="list-style-type: none"> <li>5. Report on the establishment of the whistleblower system to ensure the effectiveness of policy implementation.</li> <li>6. Report on the Company's derivative transactions.</li> <li>7. Resolution of 2022 employees' compensation and directors' remuneration.</li> <li>8. Approval of 2022 financial statements.</li> <li>9. Approval of 2022 consolidated financial statements.</li> <li>10. Resolution of 2022 profit distribution.</li> <li>11. Resolution of 2022 business report.</li> <li>12. Resolution of holding the 2022 annual shareholders' meeting.</li> <li>13. Resolution of the place and the period of accepting the proposal of 2022 shareholders' meeting.</li> <li>14. Resolution of Re-election of directors.</li> <li>15. Resolution of the lifting of non-competition restrictions for the directors and independent directors.</li> <li>16. Resolved to issue the 2023 domestic unsecured corporate bonds.</li> <li>17. Resolution of the evaluation of external auditor's independence.</li> <li>18. Resolution of pre-approving non-assurance services provided by the attesting CPAs, affiliated accounting firm and enterprises to the Company and its subsidiaries.</li> <li>19. Approval of the Statement of Internal Control System.</li> <li>20. Resolution of the contents of directors' and officers' liability insurance renewal.</li> <li>21. Resolution of setting up the 2nd aseptic beverage filling production line at Hon Chuan Food Packing (Zhanzhou) (funding changes)</li> <li>22. Resolution of the 2023 appointment or discharge of employees of assistant vice president (inclusive) or higher position.</li> <li>23. Resolution of amendments to "Articles of Incorporation."</li> <li>24. Resolution of amendments to "Rules and Procedures for Meetings of the Board of Directors."</li> <li>25. Resolution of amendments to "Corporate Governance Best-Practice Principles."</li> <li>26. Resolution of amendments to "Sustainable Development Best Practice Principles."</li> <li>27. Resolution of amendments to "Rules and Procedures for Shareholders' Meeting."</li> <li>28. Resolution of decrease of corporate guarantee for subsidiaries.</li> <li>29. To comply with "Sustainable Development Roadmap" issued by Financial Supervisory Commission R.O.C (Taiwan), the Company conducts the Group (including subsidiaries ) GHG inventory and confirmation and progress report.</li> </ol>
April 18, 2023	<ol style="list-style-type: none"> <li>1. Resolution of nominating and reviewing directors (including independent directors) candidates.</li> <li>2. Resolution of the lifting of non-competition restrictions for the directors and independent directors</li> <li>3. Resolution of amendments to "Rules and Procedures for Shareholders' Meeting."</li> <li>4. Resolution of stipulation of "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises."</li> </ol>

**3.4.12 The contents of the board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing in the most recent year or up to the publication of the annual report: None.**

**3.4.13 The resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Office, Internal Audit Director, chief corporate governance officer, and R&D Director in the most recent year or up to the publication of the annual report: None.**

## 3.5 Information on the Professional Fees of the attesting CPAs

### 3.5.1. Information on the Professional Fees of the attesting CPAs

Unit: NTD\$ Thousand

CPA Firm	Name of CPAs	Audit Period	Audit Fee	Non-Audit Fee(Note1)	Total	Note
Deloitte & Touche	Wu, Shao Chun	Jan 01, 2022 ~ Dec 31, 2022	8,100	650	8,750	Note 1
	Yen, Hsiao-Feng					

Note 1 : The fees were mainly related to transfer pricing report, tax consulting service, and tax return.

### 3.5.2 Changes in the accounting firm that result in lesser audit fees paid in comparison to the previous year: None.

### 3.5.3 Reduction of audit fees by more than 10% compared to the previous year: None.

## 3.6 Replacement of CPAs:

### 3.6.1 Regarding former CPA

Date of change	September 30, 2021		
Reason of change	Internal adjustments within the certifying accounting firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Status	Parties	CPA      The Company
	Termination of appointment		N/A      N/A
	No longer accepted (continued) appointment		N/A      N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			other
	None	✓	
Remarks / specify details:			
Other Revealed Matters (Shall be revealed as Article 10, Subsection 6, Item 1-4 to 1-7 of this regulation)	None		

### 3.6.2 Regarding the successor CPA

Name of Accounting Firm	Deloitte & Touche
Name of CPAs	Wu, Shao Chun and Yen, Hsiao-Feng
Date of appointment	September 30, 2021
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	None

Succeeding CPA's written opinion of disagreement toward the former CPA	None
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Note: The change of financial statement auditor was the result of an internal job rotation that took place within Deloitte accounting firm from Tseng, Done-Yuin and Yen, Hsiao-Feng to Yen, Hsiao-Feng and Wu, Li-Dong on March 23, 2021. Due to internal adjustments to change to Wu, Shao-Chun, and Yen, Hsiao-Fang on September 30, 2021.

**3.6.3 The reply in accordance with Article 10.6.(1)(2-3) from the former CPAs: None.**

**3.7 The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None.**

**3.8 Changes in the shares held and pledged by directors, supervisors, managers, and major shareholders holding over 10% of outstanding shares in the most recent year and up to the publication of the annual report**

**3.8.1 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders**

Unit: Share

Title	Name	2022		As of April, 2, 2023	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Chairman	Dai, Hung-Chuan	0	0	0	0
Director and General Manager	Tsao, Hsih-Chung	0	0	0	0
Director	Tsao, Hung-Yu	0	0	0	0
Director and Executive Vice President	Liu, Yun-Chang	0	0	0	0
Director	Dai, Hung-I	(5,000)	0	0	0
Director	Chang, Chun-Shu	(33,700)	0	0	0
Independent Director	Hung, Chao-Nan	0	0	0	0
Independent Director	Huang, Hsiang-Ying	0	0	0	0
Independent Director	Kung, Yi-Lu	0	0	0	0
Group Vice President	Pai, Wen-Pin	0	0	(1,000)	0
Group Vice President	Tseng, Wen-Hua	0	0	0	0
Group Vice President	Cheng, Ya-Wen	0	0	0	0
Vice President	Lee, Chin-Hsiung	0	0	0	0
Vice President	Lai, Shen-Yuan	0	0	0	0
Vice President	Chuang, Kuei-Ching	0	0	0	0
Vice President	Lu, Ching-Chou	0	0	0	0
Vice President	Hsieh, Hung-Lung	0	0	0	0
Vice President	Ting, Chih-Hao	0	0	0	0
Vice President	Chang, Chia Jui	0	0	0	0
Vice President	Lee, Wen Fu	0	0	0	0
Senior Assistant Vice President	Yen, Ching-Chuan	315	0	0	0
Senior Assistant Vice President	Fang, Yu-Lung	0	0	0	0
Senior Assistant Vice President	Lee, Ching-Hsiang	0	0	0	0
Senior Assistant Vice President	Tsao, Chien-Hsia	0	0	0	0
Senior Assistant Vice President	Li, Kun-Chang	0	0	0	0
Senior Assistant Vice President	Huang, Hsuan Che	0	0	0	0
Senior Assistant Vice President	Huang, Chen Pin	7,000	0	2,000	0
Assistant Vice President	Hung, Min-Hsiung	0	0	0	0

Title	Name	2022		As of April, 2, 2023	
		Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged	Increase (Decrease) in Shareholding	Increase (Decrease) in Shares Pledged
Assistant Vice President	Cheng, Chih-Hung	0	0	0	0
Assistant Vice President	Tsai, Yung-Fu	0	0	0	0
Assistant Vice President	Liu, Li-Yuan	0	0	0	0
Assistant Vice President	Pai, Hsien-Wei	0	0	0	0
Assistant Vice President	Lin, Tsang-Pin	0	0	0	0
Assistant Vice President	Lin, Wei-Hsiang	0	0	0	0
Assistant Vice President	Huang, Chun-Hao	0	0	0	0
Assistant Vice President	Hsu, Tsui Ling	0	0	0	0
Assistant Vice President	Huang, Kuan-Jen (Note 1)	0	0	0	0
Assistant Vice President	Chen, Ming-Hui (Note 1)	0	0	20	0
Assistant Vice President	Chen, Jui-Pin (Note 1)	0	0	0	0
Assistant Vice President	Tung, Chan-Wei (Note 1)	0	0	0	0
Assistant Vice President	Li, Chuo-Pin (Note 1)	0	0	1,000	0

Note 1 : On February 1, 2023, Huang, Kuan-Jen was promoted to Assistant Vice President.

On February 1, 2023 Chen, Ming-Hui was promoted to Assistant Vice President.

On February 1, 2023, Chen, Jui-Pin was promoted to Assistant Vice President.

On February 1, 2023, Tung, Chan-Wei was promoted to Assistant Vice President.

On February 1, 2023, Li, Chuo-Pin was promoted to Assistant Vice President.

**3.8.2 The counterparty of the equity transfer or equity pledge is a related party: None.**

**3.9 The Top-10 shareholders who are the spouses or relatives within second-degree to each other**

April 2, 2023

Unit: Share

Name	Shareholding of the Principal		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		Spouse, relative of second degree or closer, and relationships among top 10 Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Mli for Client Omnibus Taiwan Day Trading	9,793,174	3.4%	0	0	0	0	None	None	-
Fubon Life Insurance Co., Ltd.	9,720,000	3.38%	0	0	0	0	None	None	-
Chunghwa Post Co., Ltd.	8,884,964	3.09%	0	0	0	0	None	None	-
Tsao, Hung-Yu	6,529,134	2.27%	0	0	0	0	Tsao, Hsih-Chung	Father and son	-
Yuanta Taiwan High Dividend Low Volatility ETF Fund Account	5,840,000	2.03%	0	0	0	0	None	None	-
Dai, Hung-I	5,807,111	2.02%	0	0	0	0	None	None	-
Norges Bank	5,458,857	1.9%	0	0	0	0	None	None	-

Name	Shareholding of the Principal		Shareholdings by spouse and underage children		Shareholding by nominee arrangement		Spouse, relative of second degree or closer, and relationships among top 10 Shareholders		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Labor Pension Fund (The New Fund)	5,458,559	1.9%	0	0	0	0	None	None	-
ROBECO CAPITAL GROWTH FUNDS	4,777,000	1.66%	0	0	0	0	None	None	-
Tsao, Hsih-Chung	4,372,243	1.52%	1,283,064	0.45%	0	0	Tsao, Hung-Yu	Father and son	-

## 3.10 Ownership of Shares in Affiliated Enterprises

December 31, 2022

Unit: Share; %

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Share	%	Share	%	Share	%
Hon Chuan Holding Limited	501,824,319	100%	—	—	501,824,319	100%
Bon Trust International Trade Co., Ltd.	999,000	99.90%	—	—	999,000	99.9%
Hon Chuan (Cambodia) Co., Ltd.	1,000	100%	—	—	1,000	100%
Hon Chuan (Philippines) Co., Ltd.	15,000,000	100%	—	—	15,000,000	100%
Hon Chuan (China) Holding Co., Ltd.	—	—	141,288,613	100%	141,288,613	100%
Kai Gang Industries Limited	—	—	1,021,023,676	100%	1,021,023,676	100%
Hon Hsing (Samoa) Holding Limited	—	—	113,806,000	100%	126,806,000	100%
Honly Holding Co., Ltd.	—	—	69,854,780	100%	69,854,780	100%
Hon Chuan (Africa) Holding Co., Ltd.	—	—	13,485,118	100%	13,485,118	100%
Hon Shi Mozambique Limitada (Hon Shi Samoa)	—	—	3,138,790	60%	3,138,790	60%
Hon Chuan Enterprise (Suzhou) Company Limited	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Qingxin) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Zhangzhou) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Xiantao) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Suzhou Hongxin Food Packing Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Enterprise (Changsha) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Jinan) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Enterprise Packing (Luohe) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
Hon Chuan Food Packing (Anyang) Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
HC (Asia) Holdings Co., Ltd.	—	—	235,593,480	100%	235,593,480	100%
Hon Chuan Malaysia Sdn. Bhd.	—	—	81,259,900	100%	81,259,900	100%

Affiliated Enterprises (Note1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Share	%	Share	%	Share	%
Hon Chuan Vietnam Co., Ltd.	—	—	(Note 2)	100%	(Note 2)	100%
PT Hon Chuan Indonesia	—	—	98,575,783	100%	98,575,783	100%
Hon Chuan (Thailand) Co., Ltd.	—	—	137,000,000	100%	137,000,000	100%
Hon Chuan FD Packaging Co., Ltd.	—	—	12,666,225	65%	12,666,225	65%
Hon Chuan (Myanmar) Co., Ltd.	—	—	89,524,394	70%	89,524,394	70%
Honly International Co., Ltd.	—	—	1,002	49%	1,002	49%
Honly Food & Beverage Co., Ltd.	—	—	17,966,248	100%	17,966,248	100%
Hon Hua (Samoa) Holdings Limited.	—	—	7,260,000	60%	8,100,000	60%
Uni Tun Co., Ltd.	—	—	6,000	60%	6,000	60%
Shimada International Limitada	—	—	(Note 2)	60%	(Note 2)	60%
Hon Shi Mozambique Co., Ltd.	—	—	(Note 2)	60%	(Note 2)	60%

Note 1: These are long term investments accounted for using equity method by the Company.

Note 2: It is not applicable for limited companies.



## 4. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Sources of capital

##### 4.1.1.1 History of Capitalization

April 2, 2023  
Unit: Share / NTD\$

Month / Year	Issuing price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of Capital	Pay for stock shares with property other than cash	Other
May 2015	10	350,000,000	3,500,000,000	309,847,879	3,098,478,790	Capitalization by cash NTD\$ 500,000,000	None	Order No. Economic-Authorization-Business-10401088210 in May 20, 2015 Order No. Financial-Supervisory-Securities-Futures-1030042045 in October 30, 2014 and Order No. Financial-Supervisory-Securities-Futures-1040000046 in January 07, 2015
Feb 2016	10	350,000,000	3,500,000,000	292,878,879	2,928,788,790	Cancellation of buy-back shares NTD\$ 169,690,000	None	Order No. Economic-Authorization-Business-10501031560 in February 22, 2016
Jul 2020	10	350,000,000	3,500,000,000	287,785,879	2,877,858,790	Cancellation of buy-back shares NTD\$ 50,930,000	None	Order No. Economic-Authorization-Business-10901124840 in July 7, 2020

##### 4.1.1.2 Type of Stock

April 2, 2023  
Unit: Share

Type	Shares	Authorized Capital			Remark
		Issued Shares	Un-issued Shares	Total	
Registered Common Shares		287,785,879	62,214,121	350,000,000	Listed stock

##### 4.1.1.3 Information for Shelf Registration : None.

### 4.1.2 Shareholder structure

April 2, 2023  
Unit: Person / Share

Structure of Shareholder	Government institutions	Financial institutions	Other juristic person	Natural person	Foreign institution & foreigners	Total
QTY						
Number of persons	-	51	141	21,328	215	21,735
Shareholding	-	31,258,506	44,504,842	129,790,734	82,231,797	287,785,879
Shareholding ratio	-	10.86%	15.46%	45.11%	28.57%	100%



### 4.1.3 Status of Ownership Dispersion

#### 4.1.3.1 Dispersion status of Common shares

April 2, 2023  
Unit: Person / Share

Shareholding bracket	Number of shareholders	Shareholding	Shareholding ratio (%)
1 ~ 999	7,964	1,393,665	0.48%
1,000 ~ 5,000	10,815	20,772,491	7.22%
5,001 ~ 10,000	1,376	10,555,685	3.67%
10,001 ~ 15,000	477	5,977,039	2.08%
15,001 ~ 20,000	271	4,939,967	1.72%
20,001 ~ 30,000	237	5,904,912	2.05%
30,001 ~ 40,000	102	3,546,229	1.23%
40,001 ~ 50,000	78	3,602,800	1.25%
50,001 ~ 100,000	171	12,241,889	4.25%
100,001 ~ 200,000	90	12,565,788	4.37%
200,001 ~ 400,000	53	15,306,082	5.32%
400,001 ~ 600,000	27	13,419,283	4.66%
600,001 ~ 800,000	10	6,997,989	2.43%
800,001 ~ 1,000,000	9	7,597,322	2.64%
Over 1,000,001	55	162,964,738	56.63%
Total	21,735	287,785,879	100%

#### 4.1.3.2 Dispersion status of Preferred shares: None.

### 4.1.4 List of major shareholders

April 2, 2023  
Unit: Person

Shares Name of major shareholders	Shareholding	Shareholding ratio (%)
HSBC (Taiwan) in custody for Merrill Lynch Investment Account	9,793,174	3.4%
Fubon Life Insurance Co., Ltd.	9,720,000	3.38%
Chunghwa Post Co., Ltd.	8,884,964	3.09%
Tsao, Hung-Yu	6,529,134	2.27%
Yuantai Taiwan High Dividend Low Volatility ETF Fund Account	5,840,000	2.03%
Dai, Hung-I	5,807,111	2.02%
Norges Bank	5,458,857	1.9%
Labor Pension Fun (The New Fund)	5,458,559	1.9%
ROBECO CAPITAL GROWTH FUNDS	4,777,000	1.66%
Tsao, Hsih-Chung	4,372,243	1.52%

## 4.1.5 Market price, net worth, earnings, and dividends of per share in the most recent two years

Unit: NTD\$ / Share

Item \ Year			2021	2022
Market price per share (Note 1)	Maximum		83.50	89.00
	Minimum		56.60	70.00
	Average		71.44	78.63
Net worth per share (Note 2)	Before distribution		46.77	51.81
	After distribution		42.47	Not distributed yet
Earnings per share	Weighted average shares	Before adjustment	287,785,879	287,785,879
		After adjustment	287,785,879	Not distributed yet
	Earnings per share (Note 3)	Before adjustment	6.83	7.7
		After adjustment	6.83	7.7
Dividend per share	Cash dividend		4.3	4.8
	Stock dividend	Stock Dividend from Retained earnings	-	-
		Stock Dividend from additional paid-in capital	-	-
	Cumulative un-paid dividend		-	-
Return on investment analysis	Price-Earnings (P/E) Ratio (Note 2)		10.20	11.33
	Profit Ratio (Note 3)		16.20	16.12
	Cash Dividend Yield (Note 4)		6.17%	6.20%

Note 1: The Company's 2022 Profit Distribution Proposal was resolved by the Board of Directors on March 10, 2023, and has yet to be resolved by the shareholders' meeting. If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

Note 2: Price-Earnings (P/E) Ratio = Average closing price per share of the year / Earnings per share.

Note 3: Profit Ratio = Average closing price per share of the year / Cash dividend per share.

Note 4: Cash Dividend Yield = Cash dividend per share / Average closing price per share of the year.

## 4.1.6 Dividend Policy and Distribution

### 4.1.6.1 Dividend Policy in Articles of Incorporation

- (1) Upon closing of accounts, if there shall be any net profit, the Company shall make up the losses for the preceding years, then set aside a legal reserve of 10% of the net profit unless the statutory surplus reserve has reached the total capital and then set aside or rotate special reserves; Any further remaining amount shall be added to the unallocated surplus from the prior year as shareholder dividend and bonus. The Board of Directors shall draft a proposal to distribute the surplus, which shall be approved at a shareholders' meeting.

If the distributable dividend, bonus, capital surplus or legal reserve in whole or in part are to be paid in the form of cash, the Board of Directors is authorized to implement by a resolution to be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting.

The dividend policy of the Company shall be made according to the Company's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Company may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Company may decide not to distribute dividend.

The shareholder dividend shall be in the form of cash dividend or stock dividend. More than (or equal to) 50% of the total amount of shareholders dividend shall be in the form of cash dividend.

**4.1.6.2 Proposal for Dividend Distribution by this Shareholders' meeting (Resolved by the Board of Directors' meeting on March 10, 2023, and will be proposed to Shareholders' meeting which held on May 31, 2023 for ratification)**

Items	Unit: NTD\$	
	Subtotal	Total
<b>Unappropriated retained earnings of previous years</b>		1,931,854,797
2022 after-tax net income	2,215,137,354	
Remeasurement of defined benefit obligation	8,183,834	
Retired treasury stock debited to retained earnings	(2,750,736)	
<b>After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income</b>		2,220,570,452
Legal capital reserve		(222,057,045)
Reversing a special reserve		(467,713,811)
<b>Retained Earnings Available for Distribution as of 2022</b>		<u>4,398,082,015</u>
Shareholders' Dividend - Cash (NTD\$ 4.8 per share)		<u>(1,381,372,220)</u>
<b>Unappropriated Retained Earnings</b>		<u>3,016,709,795</u>

If the number of total shares outstanding, prior to the ex-dividend date for the distribution, has changed so that the ratios of dividends are affected, the Board of Directors is authorized to make such adjustments.

**4.1.6.3 If expecting any significant change about dividend policy, it shall give explanation:** None.

**4.1.7 Impact to Business Performance and EPS resulting from Stock**

**Dividend Distribution: Not applicable.**

## **4.1.8 Employees' Compensation and Directors' Remuneration**

### **4.1.8.1 The policy of employees' compensation and directors' remuneration as stated in the Articles of Incorporation**

Annual profit before income tax, employees' compensation, and directors' remuneration shall be resolved by Board of Directors to set aside no less than 1% of said profit as employee compensation and a maximum of 3% of said profit as remuneration to directors.

Employee's compensation may be distributed in the form of shares or in cash, and employees qualified to receive such compensation may include employees from holding or affiliates companies who meet the qualifications which the Board of Directors stipulates.

The issues relevant to distribution of employee compensation and director remuneration shall be set by resolutions of the Board of Directors. If the Company has accumulated losses, it shall first deduct the accumulated losses, and then calculate the compensation from the remaining amount.

### **4.1.8.2 Basis for estimating employees' compensation, directors' remuneration and stock dividends, and accounting treatments for any discrepancies between the amounts estimated and the amounts paid:**

If a different amount is resolved during the shareholders' meeting, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year of 2023.

### **4.1.8.3 Compensation and Remuneration proposal resolved by the Board of Directors**

- (1) Disclose the amount, cause and treatment for any difference that arise between the amount proposed and estimated in the year it was recognized as an expense.

The Board of Directors resolved the profit distribution on March 10, 2023.

Employees' compensation: 1.80% as of NTD\$ 44,457,000 in Cash.

Directors' remuneration: 0.79% as of NTD\$ 19,414,161 in Cash.

There was no difference between the amount proposed and estimated in the year it was recognized as an expense. After actual distribution amount being resolved in the shareholders' meeting, the difference with recorded amount will be deemed as changes in accounting estimates and included in 2023 profit and loss.

- (2) The percentage of proposed employee bonus paid in shares, relative to the sum of standalone after-tax net income plus total employee bonus: Employees' compensation would be distributed completely in cash, which resolved on March 10, 2023 the Board of Directors' meeting; so it is not applicable.

### **4.1.8.4 Actual distribution of employees' compensation and directors' and supervisors' remuneration in previous year**

Units: NTD\$

Items	2021			
	Recorded amount	Actually paid	Difference (Note)	Remark
Employees' compensation	37,432,750	37,392,750	40,000	Recorded as other revenue
Directors' and supervisors' remuneration	17,294,076	17,294,076	None	-

Note: The reason of difference is the payment of resigned employees.

#### 4.1.9 Shares Repurchase Execution Report: None

## 4.2 Issuance of Corporate Bonds

### 4.2.1 Issuance of Corporate Bonds

Type of Corporate Bond		The 1st Domestic Unsecured Corporate Bonds in 2018	The 1st Domestic Unsecured Corporate Bonds in 2021
Issuing Date		April 27, 2018	November 26, 2021
Denomination		NTD\$ 1 million / 1,000 shares	NTD\$ 1 million / 1,000 shares
Listing		N/A	N/A
Offering Price		Par	Par
Total Amount		NTD\$ 3 billion	NTD\$ 3 billion
Rate		Fixed rate of 1.07%	Fixed rate of 0.75%
Term		Five years ; Maturity Date is April 27, 2023	Five years ; Maturity Date is November 26, 2026
Guarantor		None	None
Trustee		Land Bank of Taiwan	Taipei Fubon Commercial Bank Co., Ltd.
Underwriter		Yuanta Securities Co., Ltd.	Taishin International Bank Co., Ltd.
Legal Counsel		Yi Cheng United Law Firm Lawyer: Kuo, Hui-Chi	Yi Cheng United Law Firm Lawyer: Kuo, Hui-Chi
Auditor		Deloitte & Touche CPAs: Tseng, Done-Yuin and Wu, Li Dong	Deloitte & Touche CPAs: Wu, Shao Chun and Yen Hsiao-Feng
Repayment		100% principal repayment upon maturity	100% principal repayment upon maturity
Outstanding		NTD\$ 3 billion	NTD\$ 3 billion
Redemption or Early Repayment Clauses		None	None
Covenants		None	None
Credit Rating		Taiwan Ratings Rating date: March 21, 2018 Rating result: twA- (Domestic long-term credit rating)	Taiwan Ratings Rating date: October 13, 2021 Rating result: twA- (Domestic long-term credit rating)
Other rights of Bond Holders	Amount of Converted or Exchanged Common Shares, ADRs or other Securities	N/A	N/A
	Terms or Conditions	N/A	N/A
Dilution Effect and Other Adverse Effect on Existing Shareholders		N/A	N/A
Custodian		None	None

### 4.2.2 Information of Convertible Bonds: None.

**4.2.3 Information of Exchangeable Bonds:** None.

**4.2.4 Shelf Registration Status of Bond Issuance:** None.

**4.2.5 Information of Bonds with Warrants:** None.

**4.3 Implementation Status of Preferred Shares:** None.

**4.4 Implementation Status of Global Depository**

**Receipts:** None.

**4.5 Implementation Status of Employee Warrants:** None.

**4.6 Subscription of New Shares by Employees and Restricted Shares:** None.

**4.7 Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company**

**4.7.1 Completed Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company, up to the date of printing of the annual report**

1. Evaluation opinion issued by Securities firms which organized the most recent quarter of Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company: None.
2. The state of implementation for the most recent quarter. If the progress or benefits of such implementation were not as good as expected, please explain specifically how the situation is likely to affect shareholders' equity, and shall put forward a plan for corrective action: Not applicable.

**4.7.2 The state of Mergers, or Issue New Shares by the Company for Its Acquisition of the Shares of Another Company which resolved by the Board of Directors, up to the date of printing of the annual report:** None.

**4.8 Financing plans and Implementation**

1. The Company doesn't have uncompleted public issue placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits.
2. For the period as of the quarter preceding the date of publication of the annual report, the Company's financing plans of each public issue placement of securities have been completed.

## 5. Operational Highlights

### 5.1 Business Activities

#### 5.1.1 Business Scope

##### 5.1.1.1 Major Products and Revenue Proportion

Unit: NTD\$ Thousand

Major products \ Year	2022		2021	
	Net Sales	Percentage	Net Sales	Percentage
PET Bottle	8,328,336	33.72%	6,936,528	32.44%
Beverage Filling OEM	7,972,153	32.28%	6,392,625	29.90%
Plastic Cap	5,574,585	22.57%	5,491,094	25.68%
Tobacco & Liquor Packaging	823,252	3.33%	743,820	3.48%
Label	713,580	2.89%	609,013	2.85%
Aluminum Cap	571,508	2.31%	599,324	2.80%
Metal Lug Cap	361,753	1.47%	338,832	1.58%
Films & Electronics Packaging	124,939	0.51%	104,087	0.49%
Others	226,202	0.92%	167,211	0.78%
<b>Total</b>	<b>24,696,308</b>	<b>100.00%</b>	<b>21,382,534</b>	<b>100.00%</b>

##### 5.1.1.2 Current Product Items

Products		Item
Cap Product	Aluminum cap	Aluminum cap for carbonated drink, functional beverage, hot-fill drink, long neck security wine cap, ring pull cap, spiral bottle cap, I.V. injection aluminum cap, iron cap for medicine use, classic aluminum iron box, hologram aluminum cap, QR Code aluminum cap
	Plastic cap	Plastic cap for carbonated drink, mineral water, hot fill drink & aseptic drink, QR Code plastic cap, Soy sauce cap
	Metal lug cap	Metal lug cap with safety button, metal lug cap with high temperature resistance and normal temperature, composite metal lug cap with high temperature resistance
Label Product		OPP film colorful label, OPP pearl film colorful label, PVC shrinkable colorful bottle cover, PET shrinkable colorful label, rPET shrinkable colorful label, classic bottle cover, multi-layer LDPE shrinkable film
PET Bottle		Heat-resistance crystallized PET bottle, mineral water bottle, Soy sauce bottle, CSD carbonated drink bottle, aseptic bottle, wide neck refrigerated bottle, cosmetic bottle, autoclavable (freezing) bottle, energy drink bottle, preform, rPET bottle
Beverage Filling OEM		Beverage Filling OEM for PET aseptic bottle, PET hot-fill bottle, TR refrigerated bottle, TBA long conserved products



Tobacco & Liquor Packaging Product	Filter connector, filter paper, BOPP film, malt, cork, oak barrel, wet silicone rubber, cigarette paper, coated paper, cap seal, tobacco
Other Product	LDPE shrinkable film for multipack, rLDPE shrinkable film for multipack

### 5.1.1.3 New Products Development

Item	Estimated Amount
1. Household chemicals and seasoning packaging materials	<b>NTD\$ 131,398 thousand</b>
2. Development and promotion of PET eco-friendly packaging material	
3. Introduction and mass production of 50ml energy drink bottle	
4. Development of new specifications 2662 lightweight neck preform	
5. New specifications and lightweight 1881 aseptic cap and 3025 plastic caps	
6. Long protruded cap, bi-color cap, clamshell cap, etc. for enhanced appearance and usability	
7. Connected cap with environmental protection demands	
8. Eco-friendly r-HDPE plastic cap	
9. PCR shrinkable film and PLA biodegradable films with environmental protection demands	

## 5.1.2 Market and Sales Conditions

### 5.1.2.1 Current Status and Development of the Industry

In the 2022 Food Industry Year Book report, the gross production value of Taiwan's Food and Beverage Manufacturing Industry in 2021 was NTD\$ 689.6 billion, up by 7.4% from the previous year. Dividing the industry into two segments, the production value of Food manufacturing was NTD\$ 597.2 billion, and the aforesaid amount of Beverage manufacturing (including Alcoholic beverage) was NTD\$ 92.5 billion. Despite the continuing disruptions caused by the pandemic in 2021, Taiwan's food and beverage manufacturing industry continued to perform relatively well.

According to the statistics indicated by Ministry of Economic Affairs, the sales volume of non-alcoholic beverage in 2021 reached NTD\$ 58.01 billion, increased by 1.0% compared with the previous year. In terms of product types, Tea was the leading product which reached NTD\$ 20.62 billion (35.5%). Coffee followed, stood at NTD\$ 5.67 billion (9.8%). Vegetable juice took the third place, stood at NTD\$ 5.52 billion (9.5%), and was followed by Carbonated drinks with NTD\$5.17 billion (8.9%), mineral water with NTD\$ 3.20 billion (5.5%), and Sports drinks with NTD\$ 3.16 billion (5.5%).

In terms of corporate development strategies, some beverage industry players are expanding overseas to markets including Mainland China, Southeast Asia, Northeast Asia and the Americas. Creating exotic styles and interesting pellets to add to the diverse flavors and new experiences of the beverage to customers. The packaging and beverage industry is expanding its market reach through product innovation, packaging co-branding and cross-industry collaboration. The key trends in the future development of Taiwan's beverage industry include: (1) "conscious indulgence," balancing tastiness and health, (2)



consumer awareness towards green concepts, driving innovation and communication and (3) pursuing personalized experiences and optimizing digital touch points.

Due to the fact that the beverage industry is maturing, the competition in the overall beverage market has become relatively fierce, the competitor in the market need to invest a lot of effort in marketing and product innovation. Besides, it is already the global trend for the beverage packaging to develop towards lightweight, eco-friendly, carbon footprint and carbon labeling, and so on. Under current phenomenon of global plastic reduction, international beverage manufacturers are gradually turning to green and circular economy products as alternative materials. In the future, there may exist innovative packaging in the beverage market.

In the recent years, the society has placed great emphasis on food safety; the Company is actively reinforcing the supplier's source management, applying the SAP system to completely track each product's traceability, and strictly controlling the product quality for customers. The Company will keep cooperating with the leading brands in the beverage market, hoping to grasp the mainstream products in the market and continue to expand the market development.

The Company's major product categories are hereby analyzed as the follows:

### **(1) Cap Category**

Cap product: plastic closures, aluminum closures, metal lug closures.

The closure has the characteristics to keep the products airtight and to stabilize the quality, and it also has the functions in terms of pilfer-proof opening and safety, so it is extensively used in the bottled products with content. Therefore, the closure is the upstream industry for food industry, beverage industry, chemical industry, pharmaceutical industry and pickles industry, and is also the key product for the packaging of bottled containers.

Owing to the booming of beverage industry has higher and higher requirements for product packaging, the development trend of the beverage industry would directly affect the demand for cap products.

In the cap product market, the demand is stable and showing a growing trend, except for the fact that when the packaging materials change, the structure of the cap product category would also change accordingly; overall, the use of plastic closures increases proportionally; aluminum closures mainly used in alcohols and functional beverages, and its demand is steadily growing. The metal lug closures can withstand high-temperature sterilization at 121 degrees Celsius. It is used in high-acid and high-grease products. The domestic demand has mostly stayed the same. Currently, it is actively developing overseas markets.

### **(2) Label Product**

According to the different materials, plastic colorful labels can be categorized into PET shrinkable colorful labels, OPP colorful labels, OPS shrinkable colorful labels, PET + PS co-extrusion shrinkable colorful labels, PET shrinkable labels with hot stamping, and rPET shrinkable colorful labels.

As the plastic material has features such as impact-resistance, oil-proof, water-repellence, soaking resistance, water temperature resistance, and etc., plastic colorful

labels have a more extensive range of applications than does the general labels printed on paper, and can increase the sense of value for packaged products. Therefore, plastic colorful labels play a very important role in the packaging material for the basic commodity industry. Along with the economic development of Taiwan and the increase of gross national income, consumers' taste for the products' packaging selection also gets higher. And for the industry operators in the beverage, food and general supplies industries, while facing the fierce competition in the market, they also have higher demands for the design and requirements of the product packaging materials, so the plastic colorful labels have become one of the indispensable packaging materials. In the recent years, the plastic colorful labels have been paired with PET bottles, PE bottles, glass bottles and other various types of bottle and jars as supporting marketing to highlight the image and value of packaged products.

### **(3) Multi-layer LDPE Shrinkable Film**

The original monolayer film has poor homogeneity and cannot highlight the properties of the materials. In order to meet the client's requirement specifications, special raw materials of higher unit prices need to be added, and the effects are limited and cannot achieve both elongate strength and shrinkage ratio at the same time. Recently, multilayer LDPE shrinkable films were implemented: for materials LDPE, LLDPE, mLLDPE and HDPE, the elongate strength and shrinkage ratio can be adjusted between the layers according to the clients' specification requirements, and the homogeneity is better and the properties required for each layer can be highlighted, and the crushed materials and deputy brand materials can also be added into the middle layer to reduce the raw material costs.

### **(4) PET Bottle**

PET bottles' technical trends of the functions such as transparency, lightweight, good preservability, emphasized heat-resistance, reseal ability, pressure-resistance, etc., make them grow continuously in the soft drinks market. Today, PET bottles have become the mainstream packaging for beverages. Many kinds of beverages that need to be sterilized at high temperature in order to be filled, such as flavored water, juice, dairy products, tea drinks, sports drinks, soy sauce bottle, cosmetic bottle, autoclavable (freezing) bottle, energy drink bottle, etc. have also started, one after the other, to be packaged in PET bottles, so PET bottles have just become the mainstream packaging material for beverage and food products.

As PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. With functions such as heat-resistance, pressure-resistance and etc., in the recent years, they have replaced various types PP bottles, Tetra Pak, aluminum cans, tin cans, glass bottles, etc., and have become the packaging material with the most growth potential.

### **(5) Beverage Filling**

The Company's aseptic beverage plants adopt the newest generation of Germany GEA beverage aseptic filling equipment, which can produce low acid beverages (products such as tea, coffee, milk tea, etc.) and aseptic carbonated beverage (products such as soda, juice soda, sparkling water, etc.)

The features of the aseptic PET bottle filling:

- ① The weight of the PET bottles used accounts for 60% of the hot-fill lines, with lower material costs.
- ② In addition to high acid products, low acid products can also be filled.
- ③ The filling temperature is room temperature, so the flavor of the products can be maintained.
- ④ The products can be stored in room temperature.
- ⑤ The products need to be strictly controlled from raw materials, packaging materials to manufacturing process, so the consumers have more quality assurance.
- ⑥ A more extensive range of products can be packaged.
- ⑦ Higher level of processing technology.

### 5.1.2.2 The correlation among the upstream, midstream and downstream of the industry

The Company's business is mainly in the packaging materials, and due to the fact that the packaging methods for various downstream products are different, product categories of the Company also appear to be diversified. The materials and the manufacturing processes of each product are quite different due to the different requirements of the downstream manufacturers. Therefore, the correlations among the upstream, midstream and downstream of the industries for the Company's main products, such as cap category, label category, PET bottles and beverage filling, etc., is explained as follows:

Product Category	Upstream	Midstream	Downstream
Cap Category	Mental material industry, plastic material industry	Domestic cap manufacturers (THC), import suppliers	Food/ beverage/ pharmaceutical/ chemical industries and etc.
Label Category	Plastic raw material industry	Domestic label manufacturers (THC), import suppliers	Food/ beverage/ pharmaceutical/ chemical industries and other bottle packaging industries
PET Bottle	Plastic raw material industry	Domestic PET bottle manufacturers (THC), import suppliers	Beverage/ food/ pharmaceutical/ other packaging industries
Beverage Filling	Beverage raw material industries, such as tea, sugar and formula	Domestic aseptic PET beverage filling manufacturers (THC), import suppliers	Clients in the beverage industry (brands)/ consumers

### 5.1.2.3 Development Trend and Competitive Situation of Major Products

#### (1) The Development Trends of the Products

##### ① Cap Category

As closure is an indispensable part of beverage packaging, the development trends in the cap industry are closely related to the development trends in the beverage packaging industry. The development trends of beverage packaging are analyzed as follows:

Currently, the beverage packaging, commonly seen in the market, according to the materials, can be divided into four categories, including paper

packaging, plastic packaging, metal packaging and glass packaging. As for the opinion which category of packaging material is suitable for which beverage packaging method, following the continuous improvement of the material technology, has changed greatly. However, as the packaging material must match the product characteristics and consumption patterns of the beverage itself, each type of packaging material still has different market shares in all kinds of beverage market segments. PET bottles have become the mainstream packaging material for global beverage market and continue to grow, so plastic closures, used with PET bottles, are also the mainstream of packaging.

Nevertheless, plastic and glass material packaging can also use plastic closures or metal closures, and the key is determined by the characteristics of the beverage products themselves; metal packaging, due to its material characteristics, are mainly used in metal closures and closures bottles, and the cap products it can also use are aluminum closures and SPTE (Steel Plated-Tin, Electrolytic) closures.

As Taiwan consumers' awareness of health care gradually grows, the demand for biotech type healthy food is also increasing day by day, which can drive up the market demand for aluminum closure.

Due to the characteristics of various shapes and applicability to the fast-moving consumer goods supply chain, PET bottle has become the mainstream packaging material in the beverage market with its market share increasing year by year. Furthermore, the PET bottle and plastic closures can be classified and reused in the process of recycling, which prove the fact that PET bottle a highly sustainable material, and the added value of PET bottle can be enhanced.

## **② Label Category**

Nowadays, Environmental Protection Administration, in response to the price fluctuations of the international raw materials and to promote the eco-friendly design for container products, has further considered the overall objective and subjective factors, by revising the container recycling cleaning and processing fees to be effective on July 1, 2012; and for those who adopt easy to remove design for PET containers labels, there were programs to provide them with preferential fees, in order to stabilize the resource recovery fund and the operation of the recycling and processing system, and to enhance the benefits from recycling and processing waste containers. For those who still use containers with PVC material attachments, twice of the processing fees would be imposed on them, as the expectation is for the beverage plants to replace the PVC shrinkable films with PET shrink labels and increase the use of easy to tear lines.

At present, approximately 90% of the market used PET labels, and the rest of 10% used other materials.

Since 2019, the Company has introduced advanced flexo printing system from Europe using UV inks with low VOCs (Volatile Organic Compounds) , and starts production in 2021 so as to enhance the quality of our packaging products with better touch, hot-foil stamping for high-gloss effects, or anti-

counterfeit technologies. In this way, Hon Chuan can operate in an eco-friendly manner to fulfill our corporate social responsibility.

To follow the global trends of environment protection and plastic reduction, the Company introduced 30% rPET shrinkable film and started production in 2020, in order to increase the recycling rate.

Currently, the recycling rate of PET shrinkable labels is low. In 2021, the Company developed the application of Eco-Label PET shrinkable film to increase the recycling rate of PET shrinkable labels.

### ③ PET Bottle

PET bottles have gained a pivotal position in the development of the beverage industry, according to the survey by relevant research institute, such as Canadean Ltd., half of the soft drinks globally adopt PET as the packaging material.

PET first appeared in the United States, and later was promoted in Europe and Asia, and further became a global packaging material, as the application and function of PET kept growing, it is now extensively used in the beverage market. Among the very many types of packaging, the usage of PET bottles has been the fastest growing. Soft drinks and mineral water are the two kinds of beverages that use the PET bottles the most globally. Many brewers have even started to identify the feasibility of PET bottled beers, as, in addition to glass bottles, PET bottles can also be used to enrich the packaging style of beers to cater to some special occasions.

PET bottles have features such as lightweight, good preservability, convenience to use and ship, and when it is paired with the same material plastic closures, the whole PET bottles can be recycled; in the process of recycling, the PET bottle and plastic closures can be classified and reused, and the added value of PET bottle can be enhanced. Furthermore, as PET bottles have properties that can reduce environmental pollution and energy wasting, at the rise of environmental awareness like today, they have gradually replaced the conventional packaging materials. Therefore, at the present stage, PET bottles have become the mainstream packaging material for global beverage products.

### ④ Beverages Filling

During the aseptic filling manufacturing process, the products would undergo an ultra-high temperature sterilization of 130°C instantaneously and then after rapid cryogenic cooling, they are sent directly for filling at the PET filling machine in the clean room, and the process can fully preserve the aroma and flavor of tea. The advantages of aseptic filling method are not only of sterilization function but also ensuring the original flavor and aroma of products, so it is suitable for sensitive beverage. Its shelf life is longer than hot filling method and filling at room temperature then sterilization, so the development of aseptic filling is the milestone of the development technology for PET bottles. As PET aseptic filling have functions such as sterilization and keeping the original aroma and flavor of products, in addition, in the recent years, the

booming of tea drinks, fruit & vegetable juice and coffee beverage, etc. globally has helped PET gradually gain the market recognition, and its growth is expected to continue to rise up.

(2) The Competition Situation of All Types of Products

As our company's cap category products are of excellent quality and complete specifications, and we can provide a complete set of comprehensive services to our clients, so we are in a leading manufacturer position in the domestic cap market. As PET bottles have become the mainstream in the beverage packaging market, our company can not only produce the PET bottles that are suitable for high temperature filling or beverage that required high temperature processing (such as carbonated beverage, tea drinks, juice and etc.), but also can further focus on developing aseptic PET bottles and the OEM of aseptic filling beverage at higher technical levels and wider applied areas. As our company can provide our clients related packaging materials such as PET bottles, closures, labels, etc., and can provide filling OEM services for the clients; our comprehensive services can let clients save costs with one-stop shopping, so the competitiveness has increased greatly.

### 5.1.3 Technology and R&D Overview

The R&D expenses and the technology or products successfully developed in the recent fiscal year and up to the annual report printing date:

Unit: NTD\$ Thousand

Year	R&D Fee	R&D Achievements
2022	221,207	<ol style="list-style-type: none"> <li>1. 1810 bottle neck 1500ml hot fill bottle</li> <li>2. 1881 bottle neck 560 ml, 1250ml soda bottle</li> <li>3. 38mm bottle neck 250ml, 300ml, and 450ml freezing bottle</li> <li>4. 38mm bottle neck 380ml, 500ml cold fill bottle</li> <li>5. 1881 bottle neck 350ml, 490ml, 590ml, 1500ml aseptic bottle</li> <li>6. 1881 BAPHS aseptic plastic cap</li> <li>7. Soy sauce container (PET bottle, plastic cap, clamshell cap)</li> <li>8. 37mm composite vacuum cap</li> <li>9. 42mm ring pull cap</li> <li>10. Twist-off cap with robust extraction and low precipitation</li> <li>11. 30 x 60mm long neck aluminum cap</li> <li>12. Spiral iron cap/aluminum cap</li> <li>13. Introduction of low-VOC UV ink</li> <li>14. Introduction and mass production of 30% PCR PET shrinkable film</li> <li>15. Eco-Label PET shrinkable film</li> </ol>

### 5.1.4 Long-Term and Short-Term Business Development Plans

#### 5.1.4.1 Short-Term Business Development Plans

- (1) Apply routine management; reinforce personnel training and taking root, sales & marketing capabilities, customer service, depth management and the concept of cost of sales, to enhance the competitiveness.
- (2) Grasp the latest market and society trend with innovative thinking and ideas; apply modern technology and information system to development of products and service qualified for clients and customers' need.

- (3) Adopt the winning strategy by fulfilling our role in the industry, paying attention to deepening customer management and services, achieve customer satisfaction, customers touched, customer brand life trust, in order to gain the trust of the customers, and actively develop the domestic and international markets.
- (4) Emphasize on the external market mechanism, get closer to customers' needs, and reinforce the upgrade of all management core competencies internally.

#### **5.1.4.2 Long-Term Business Development Plans**

- (1) Servitization of Manufacturing: The Company is committed to vertical Integration in order to meet customers' demand for one stop shopping, providing comprehensive production, responsibility and services.
- (1) Diversified operation, commitment to vertical integration, to establish product differentiation and competitive advantage.
- (2) Actively cooperate with major international brand, and establish global action arrangements.
- (3) Continuously promote the IN-HOUSE innovative commercial business model to domestic and international customers, and build long-term stable cooperative relationships with the customers by providing packaging materials of high quality and low costs, in order to ensure the Company's future growth and profitability.
- (4) Sign the supply contracts that guarantee both prices and quantities, adjust OEM prices with the price fluctuations of the raw material, avoid raw material fluctuation risk to ensure the Company's revenues and profits, and at the time, assist the customers broaden their market shares and resource sharing, to achieve win-win co-operations.

## **5.2 Markets and the Overview of Production and Sales**

### **5.2.1 Market Analysis**

#### **5.2.1.1 The Sales (Providing) Regions of the Major Products (Services)**

The Company's major products in 2022 were: all types of aluminum closures, plastic closures, lug closures, labels, performs, PET bottles, beverage filling, and etc., and for the markets, except for Taiwan, Mainland China, Thailand, Malaysia, Cambodia, Indonesia, Vietnam, Myanmar and Mozambique where there were mainly considered local domestic sales, the Company sold to the remaining countries by export. The main sales targets are all food, beverage, cosmetic and drug industry. The sales regions are mainly Taiwan, Hong Kong, Singapore, Malaysia, Cambodia, Mainland China, Japan, Thailand, Indonesia, Philippines, Vietnam, Myanmar, New Caledonia(Oceania), Australia, New Zealand, Canada, USA, Pakistan, Africa, Vanuatu, Mexico, South Korea, Chile, Ecuador, Maldives, Suriname, Mongolia and so on.

#### **5.2.1.2 Market Share of Major Products**

The Company's major products are packaging material, beverage(filling OEM), and others. In 2022, the revenue proportion of products were packaging material for 63.47%, beverage(filling OEM) for 32.28%, and others for 4.25%.

The Company has 46 production bases in 10 countries including Taiwan, China, Thailand, Indonesia, Malaysia, Myanmar, Vietnam, Cambodia, Philippines and Mozambique, providing one-stop shopping and full-range services to those well-known beverage companies.

Taiwan Hon Chuan has become the largest beverage packaging and beverage OEM manufacturer with a market share of more than 70%. In China, the Company successively entered in-depth cooperative agreements with big brands in the beverage market and comes out among the best in competitiveness; In Southeast Asia, the Company also becomes one of the top three food and beverage packaging materials companies in respective country. Among ASIEN countries, tariffs are phased out so that increase the Company's competitive advantage.

The Company's global platform provides volume and geographical advantage. to support and service these well-known beverage (or FMCG) companies whose major concern is reliability, quality and continuity of supply. Hon Chuan will continue to grasp the beverage market's growth trend and development opportunities.

### **5.2.1.3 Future Market Supply and Demand and Growth**

The major products of our company are closures, labels, PET bottles and beverage filling, and etc., and the future market supply and demand and growth for each major product are explained as follows:

#### **(1) Cap Category**

The cap products include all kinds of materials such as aluminum closures, lug closures, plastic closures, etc., and the range of application covers industries such as beverage industry, food industry, alcohols, cosmetic and etc.; under the demand for packaging material diversification and small-scale bundled sales, the sales volume of the overall cap category is estimated to show a stable growth trend.

In the recent years, the Company also introduces QR CODE to provide the clients more diversified marketing activities, and at the same time to acquire the collection and statistical analysis of large data, along with the latest aluminum closure stamping anti-fraud technology, new type eco-friendly liner style TPE aluminum ring pull closures and metal lug closures, in order to increase the competitiveness of beverage products in the market.

#### **(2) Label Category**

By coordinating with PET bottles the company is actively developing, and by developing the trends of supplying the clients' need with bundled sales and all large labels, the sales volume is predicted to grow slightly.

Since 2007, the Environmental Protection Bureau has been vigorously promoting for the beverage industry to change the labels from the previous PVC material to a material that is suitable for recycling and eco-friendly. Our company has fully cooperated in the label conversion to the eco-friendly replacement labels material PET and OPS, etc. and also the design of labels that are easy to remove.



In 2021, the Company has formally introduced the advanced flexographic printing system from Europe, using UV inks with low VOC (volatile organic compounds) that are more friendly to the overall environment. We provide clients with better texture, hot stamping for high gloss, anti-counterfeit technologies, and other excellent packaging textures. The high-value products have been making the clear market segmentation. The flexographic printing system has earned recognition for the government. In 2022, we have been recognized with numerous accolades "Taichung City Government's Outstanding Public and Private Sector Award for Pollution and Carbon Emissions Reduction Award."

### **(3) PET Bottles**

As the modern people pay more and more attention to healthy appeals (including tea beverage, juice beverage, etc.) with a growing trend every year, plus the two-day weekend system, the consumers now have more leisure time for outing, so relatively, the convenience to carry personally and the PET bottles that can transform the shapes of containers have become the trends for packaging bottles.

### **(4) Beverage Filling**

The future packaging trend in Taiwan's beverage market is predicted to be aseptic filling oriented, and this will also be the common trend around the world. There is a lot of room for growth in the future beverage market, so Hon Chuan will increase market share with strategic alliance.

## **5.2.1.4 Competitive Niche**

- (1) The Company's business model continuously innovate, focus on the clients, and provide customer-oriented services.

The Company grasps the market development trends and customer service needs in each stage, from the single-item sales (closures or labels or PET bottles), to all-in-one packaging sales (closures + labels +PET bottles), to full bundled package sales (closures + labels+ PET bottles + filling OEM+ packaging + warehousing), to manufacturing as a service (OEM with materials included, ODM, resident inspector coalition services, joint venture, etc.), to provide satisfactory services to the clients.

- (2) Actively broaden the market share with the IN-HOUSE model:

- ① Hon Chuan, with more than 50 years' excellent technology and credibility guarantee, in addition to providing the three-in-one products and services consisting of closures, PET bottles, labels, in order to serve the clients, to enhance clients' market competitiveness, and to establish closer partnership with the clients, has further actively created resident inspection IN-HOUSE strategic alliances with the clients.
- ② The successful mode of international beverage company is emphasizing on brand management and marketing channel and delegating professional OEM company to do production, in order to grab a bigger source and power to swiftly enhance competitiveness and market share.
- ③ The IN-HOUSE model refers to Hon Chuan investing in the PET bottle blowing equipment and has them installed right inside the clients' plants and have them connected with the clients' filling machine for production, and the closures, labels, preforms, and etc. are also provided by Hon Chuan.

The advantages of IN-HOUSE coalition production are as follows:

- Ensure the sufficient supply and uniformity specification of the PET bottles.
- The adoption of the most advanced equipment can enhance production efficiency and reduce defect ratio.
- Coalition production provides more assurance in terms of quality control, safety and health.
- With coalition production, the production of lightweight PET bottles can be realized to economize on raw material costs and environmental recycling expenses.

④ Re-Evolution of IN-HOUSE model: To extend the services from installing the original closures, preforms, and glass-blowing equipment to beverage filling equipment, to provide the clients the full bundled package and services, including injection at the front end, bottle blowing, to filling at the final end.

- (3) The Company thinks highly of putting the spirit of “Innovation” into action, and actively research and develop all types of new niche products and new niche technology to elevate the product functionality and added value, such as anti-fraud aluminum closures, aluminum closures stamping/transfer printing, digital print plastic closures, laser QR code plastic closures, thermal sensitive ink labels, PVC Free lug closures, and circular economy products, such as rPET bottle/ rPET preform/ rPET label to serve the clients’ needs and guarantee our company’s leadership position.
- (4) Provide comprehensive services to our clients, through vertical integration and bundled sales, to strengthen customer relations.
- (5) The industry is with the vision for growth, so we actively move towards international development.
- (6) With the foundation such as resource integration conducted by the Group headquarters in Taiwan, the management teams, etc., we actively develop the markets in Greater China, Southeast Asia, and Africa, and the growth potential can be expected.
- (7) Hon Chuan Enterprise adopts the winning strategy by focusing on the present industry, paying attention to customer services, diversifying operation, committing to vertical integration and product differentiation, practicing the strategy to cooperate with major brands, emphasizing on the external market mechanism, getting closer to customers’ needs, and strengthening to enhance all management core competencies internally as the direction to put in our efforts.

#### 5.2.1.5 The Favorable factors and Unfavorable Factors of the Development Prospect and the Countermeasures

Items	Favorable Factors	Unfavorable Factors	Countermeasures
1.The future development situations of	1. The products have eco-friendly appeals and are easy to be accepted by the consumers, so the future prospects look good.	There is labor shortage, so the wage costs are increasing.	1. Actively improve existing machinery and equipment and strive to move towards the direction of high level of

Items	Favorable Factors	Unfavorable Factors	Countermeasures
business operations	<ol style="list-style-type: none"> <li>2. Actively develop the international market and expand export business.</li> <li>3. With the bundling and integration of packaging materials, the clients are provided with even more convenient services.</li> </ol>		<p>automation. Cooperate with China Productivity Center to carry out the improvement of production processes, and conduct the research of material formula with Plastics Industry Development Center to enhance output efficiency.</p> <ol style="list-style-type: none"> <li>2. To respond to the demand for labor by introducing part of foreign laborers to help with production and to improve the situations with labor shortage and wage increases.</li> </ol>
2. The sales status of the major products	<ol style="list-style-type: none"> <li>1. The packaging products we produced spread around an extensive range, so by the same token, we can satisfy our clients' need for all kinds of packaging materials; as the extensive range of products can be applied to the use of various types of packaging containers, the business risks can be diversified.</li> <li>2. The equipment for the major products aluminum closures, plastic closures, and lug closures have high utilization rates, and their productions have reached the scale of mass production, so the costs can be effectively reduced and the products have great price competitiveness.</li> <li>3. It has leading advantages in terms of technology and the marketing system, and has been granted the patents for all kinds of cap products in Taiwan, Mainland China, Japan and USA, etc., so the product synergy can be put into action.</li> </ol>	Our company's products belong in the packaging industry. Even though our products do not change as rapidly as the electronic products, the packaging products do change rapidly as the consumption habits change quickly; we need to constantly develop new products to satisfy the clients' demand for diversification.	<ol style="list-style-type: none"> <li>1. To establish the R&amp;D department, actively recruit talents, and apply foreign technology in order to improve professional qualities and product standards.</li> <li>2. Constantly pay attention to the market trends, and participate in exhibitions overseas to collect relevant information.</li> </ol>
3. Position in the industry	<ol style="list-style-type: none"> <li>1. Our products are the leading brands domestically, received certification from international well-known beverage plants, and have vast marketing channels.</li> <li>2. We have leading R&amp;D technology, high degree of facility automation, and good process capabilities, so we are in the leading position of the industry.</li> </ol>	There are quite a few small plants and which could easily result in pricing competition of products.	<ol style="list-style-type: none"> <li>1. Develop products with high added value and high quality.</li> <li>2. Actively develop the international markets, constantly develop new products and become the leader in the integrated packaging industry.</li> </ol>
4. The supply status of the major raw materials	All the suppliers of our company's major raw materials are domestic or foreign well-known manufacturers, (such as C.S. Aluminum Corporation, Formosa Oil, Korean HYOSUNG), and we maintain good long-term cooperative relationships with all of the suppliers.	The increase of raw material prices causes the increase of costs.	Sign long-term purchase contracts with both domestic and foreign well-known manufacturers to ensure price stability. Actively develop alternative materials and formula to reduce the costs.

Items	Favorable Factors	Unfavorable Factors	Countermeasures
5. Financial condition	The financial structure of our company is sound with good solvency, and the short-term capital turnover is also good, the ratio of long-term capital to fixed assets has also achieved a reasonable level, and the sales and profitability both show stable growth.	Our company constantly invests in new products and needs to purchase new equipment, so we need a considerable amount of capital.	As our company is a public listed company, the fund-raising channels from the capital market are increased, and this will be beneficial for our company's long-term stable development.

## 5.2.2 Important Applications and Production Processes of Major Products

### 5.2.2.1 Important Applications of Major Products

#### (1) Aluminum Cap Category:

The products are applicable for the demand of all types of products, such as healthy food, alcohols, medicines, healthy food, etc.; each item of product has pilfer-proof function, so the safety of the products is guaranteed; the domestic monopoly bureau, and all major beverage, food, and pharmaceutical manufacturers are our clients.

#### (2) Plastic Cap Category:

They are made of special synthetic PP and HDPE plastic materials, with better anti-impact effect and heat resistance than other plastic materials. They are available in all types of specifications, and we have been granted several patent rights and were approved by Coca-Cola & Pepsi-Cola international to be qualified; they are extensively used for products such as mineral water, carbonated beverages, hot-fill beverages, aseptic beverage, seasoning, etc., and there is great development potential with excellent prospects.

#### (3) Lug Cap Category:

They are applicable for all types of products, such as pickles and healthy food, as the most advanced food-grade eco-friendly rubber and liner are used and they can resist high temperature treatment and maintain the standard degree of vacuum; with the vacuum safety button, there is an additional layer of safety assurance for the products.

#### (4) Label Category:

They are suitable external packaging for soft drinks, beverage, mineral water, chemicals, food, instant noodles, medicines, etc.; with great elongate strength, impact resistance, oil-proof, water repellence, the shiny and remarkable labels can increase the sense of value for products.

#### (5) PET Bottles:

They can be used for mineral water, carbonated beverage, high temperature sterilization and hot fill beverage, and the range is extensive, such as mineral water, flavored water, tea drinks, juice, coffee, sports drinks, juice flavored soft drinks, dairy products, soy sauce bottle, etc.

#### (6) Beverage Filling:

In addition to high acid products, low acid products (tea, coffee, dairy products, etc.) and aseptic carbonated beverage (products such as soda,

juice soda, sparkling water, etc.) can also be filled, so the consumers are provided with products with good flavor and safety; as the production process is room temperature filling, so the packaging container (PET bottles) can be lightweight, and which reduces the costs and GHG emissions.

### 5.2.2.2 Production Processes of Major Products

#### (1) Aluminum Cap Category

- a. Aluminum sheet → printing → slitting → cap pressing → the side of aluminum cap knurling → liner → laser QR Code inside → computer quality inspection → finished product
- b. Aluminum sheet → printing → slitting → cap pressing → clean → laser security burn printing → braille by carving → polish → the side of aluminum cap knurling → liner → computer quality inspection → finished product
- c. Tinplate → printing → slitting → cap pressing → rolling → the side of aluminum cap knurling → gluing → baking and drying → visual inspection → finished product

#### (2) Plastic Cap Category

- a. Plastic cap : Material casting → injection/press molding → shape modifying → anti-theft ring cutting → the front of the plastic cap printing → liner → laser QR Code inside → computer visual inspection → finished product
- b. Soy sauce cap : Material casting → injection → combination → visual inspection → finished product

#### (3) Metal Lug Cap Category

- a. Printing tinplate → cap pressing → rolling → gluing → baking and drying → computer quality inspection → finished metal lug cap
- b. Printing tinplate → cap pressing → rolling → gluing → baking and drying → combination → computer quality inspection → finished composite vacuum cap

#### (4) Label Category

Draft creation → copperplate → printing → automatic inspection machine → slitting → center-seal and gusset → slicing → inspection → finished product

#### (5) PET Bottles

PET resin continuous drying treatment → preform injection and molding → automatic inspection machine → preform crystallization (applicable for hot-fill beverage) → automatic quality inspection → PET bottle blowing → automatic quality inspection → labeling → inspection → finished product

#### (6) Beverage Filling

Material casting → blending → sterilization → aseptic barrel → not aerating (aerating) → aseptic filling → capping → jet printing → labeling → finished product

### 5.2.3 Supply Status of the Major Raw Materials

Major Product	Major Raw Material	Major Supplier	Supply Situation
Aluminum Cap	Aluminum sheet	CSAC, Shen Fa	Good
Plastic Cap	PP chip, PE chip, Liner, Slip agent	Hanwha, USI, Min Yen, PTTGC, Kuan Yeh, Nantex, LCY, Hyosung, Formosa plastics	Good
Metal Lug Cap	Iron sheet	Sumitomo, Ton Yi Industrial, Tong Yang Steel	Good
Label	PET film, PVC film, OPP film, Pearlized film, Ink	SKC, Far Eastern, Topglow, Changa, General Ink, Sungbo, Flint Group, Great World Ink & Paint Company, Zeller, Chi-Hsiang, Pao Li	Good
PET Bottle	PET resin	Nan Ya, Shinkong, Far Eastern, Jiangyin Xingyu New Material	Good
Beverage Filling OEM	Tea, Fructose, Sugar, Condensed milk, Milk powder, coffee powder, Carton and etc.	Li Yu, Taisugar, MitaCharm, TetraPak, twfysugar, Jiaher Paper, Cheng Loong, UCC, Taiwan Shionogi, San Ching Tea, Ta Tung Tea and etc.	Good

## 5.2.4 List of Major Suppliers/ Customers in the most recent two years

### 5.2.4.1 List of Major Suppliers

List, purchases amount and ratio of Major Suppliers with over 10% of the total purchases in one of the last two years:

Unit: NTD\$ Thousand

Item	2021				2022			
	Name	Amount	Percentage of the annual net purchases (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net purchases (%)	Relationship with the issuer
1	X	1,422,060	13%	None	X	1,747,120	13%	None
2	Others	9,681,640	87%	None	Others	11,825,284	87%	None
	Net Purchases	11,103,700	100%		Net Purchases	13,572,404	100%	

### 5.2.4.2 List of Major Customers

List, sales amount and ratio of Major Customers with over 10% of the total sales in one of the last two years:

Unit: NTD\$ Thousand

Item	2021				2022			
	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer	Name	Amount	Percentage of the annual net sales (%)	Relationship with the issuer
1	Y	1,740,589	8%	None	Y	1,968,457	8%	None
2	Others	19,641,945	92%	None	Others	22,727,851	92%	None
	Net Sales	21,382,534	100%		Net Sales	24,696,308	100%	



## 5.2.5 Production volume over the Last Two Years

Unit: NTD\$ Thousand/1,000 Pcs/1,000 Kgs/1,000 Boxes

Category \ Year	Unit	2021			Unit	2022		
		Capacity	Quantity	Value		Capacity	Quantity	Value
PET Bottle	pcs	15,508,089	7,509,125	5,874,972	pcs	15,988,787	8,026,671	7,437,820
Beverage Filling(Note 1)	pcs	4,253,301	1,967,304	5,027,285	pcs	4,696,061	2,444,675	6,425,321
Plastic Cap	pcs	39,300,120	27,025,638	3,975,259	pcs	40,378,032	25,828,613	4,226,980
Label	pcs	10,481,009	2,424,879	595,904	pcs	10,481,009	2,711,102	658,214
Films & Electronics Packaging	kg	8,202	2,442	101,229	kg	8,202	2,166	99,398
Tobacco & Liquor Packaging		-	1,537	269,204		-	1,595	330,582
Aluminum Cap	pcs	2,132,438	755,684	395,450	pcs	2,145,398	608,543	398,040
Metal Lug Cap	pcs	356,918	261,537	238,346	pcs	557,885	229,733	247,746
Beverage Filling (TR & TBA)	box	195,700	122,133	516,293	box	195,700	129,894	565,483
Other		-	106,705	36,973		-	28,401	28,017
Total				17,030,915				20,417,601

Note 1: Beverage filling includes PET Bottle, Label, Plastic Cap

## 5.2.6 Sales volume over the Last Two Years

Unit: NTD\$ Thousand/1,000 Pcs/1,000 Kgs/1,000 Boxes

Year Category	Unit	2021				Unit	2022			
		Domestic		Overseas			Domestic		Overseas	
		Quantity	Value	Quantity	Value		Quantity	Value	Quantity	Value
PET Bottle	pcs	6,646,598	6,295,061	407,412	641,467	pcs	7,240,530	7,649,277	391,180	679,023
Beverage Filling(Note 1)	pcs	1,934,416	5,722,798	2,899	25,875	pcs	2,442,259	7,225,468	3,623	36,877
Plastic Cap	pcs	25,695,370	5,224,370	1,191,385	266,724	pcs	24,693,069	5,241,464	1,364,668	333,154
Label	pcs	2,237,338	579,524	56,661	29,489	pcs	2,501,210	686,955	42,224	26,625
Films & Electronics Packaging	kg	2,147	104,087	-	-	kg	2,339	124,939	-	-
Tobacco&Liquor Packaging		1,943	583,212	12	160,608		1,612	598,130	11	225,122
Aluminum Cap	pcs	677,947	548,315	78,731	51,009	pcs	564,024	533,767	52,820	37,741
Metal Lug Cap	pcs	192,208	264,492	65,965	74,340	pcs	183,169	277,086	53,683	84,667
Beverage Filling (TR & TBA)	box	121,180	643,952	-	-	box	130,070	709,808	-	-
Other		73,025	160,985	2	6,226		48,455	223,340	-	2,865
Total			20,126,796		1,255,738			23,270,234		1,426,074

Note 1: Beverage filling includes PET Bottle, Label, Plastic Cap



## 5.3 Human Resource

Employees' information in the last two years and up to the date of printing this annual report:

As of March 31, 2023

Year		2021		2022		As of March 31, 2023	
Number of Employees	Direct	2,742		2,867		2,922	
	Indirect	1,841		1,897		1,923	
	Total	4,583		4,764		4,845	
Average Age		34.75		35.12		35.47	
Average Years of Service		6.04		6.63		6.61	
Education	Ph.D.	0	0.0%	0	0.00%	0	0.00%
	Masters	112	2.38%	119	2.50%	120	2.48%
	Bachelor's Degree	2,061	44.21%	2,147	45.07%	2,170	44.79%
	Senior High School	1,686	35.09%	1,780	37.36%	1,801	37.17%
	Below Senior High School	724	18.32%	718	15.07%	754	15.56%

## 5.4 The Expenditure for Environmental Protection

The Company actively promotes environmental protection. All plants have introduced the ISO 14001 Environmental Management System to systematize and standardize related management (water resources and wastewater, air pollution control, and waste). The Company has established the Occupational Safety and Health Center to handle courses related to environmental management, training for dedicated environmental personnel, and strict requirements on implementation and auditing.

The Company has obtained the stationary pollution source permit issued by the Environmental Protection Bureau to carry out regular inspection, maintenance, and records of raw materials, fuel, products, process equipment, control equipment, and facilities to ensure successful implementation of various improvements.

Due to the threat of global warming and extreme climate, the Company has actively introduced lightweight products, the In-house PWP coalition production model, energy-saving and environmental protection equipment, and solar energy systems to reduce raw materials consumption in production, packaging, and transportation. Therefore, we can reduce our carbon emissions, waste of medical care resources, and environmental impacts, continuously striving toward the goals of environmental friendliness and sustainable development.

Any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection).

### 5.4.1 The total amount of loss (including compensation) and fine which caused by polluting environment

1. On September 11 and 20, 2018, the Environmental Protection Bureau of Taichung city government came to the Company for examining and auditing air pollution control issues in company with Taiwan Taichung District Prosecutors Office. Because the air pollution control equipment in the Label plant of the Company didn't reach the regulatory standards, emission amounts exceeded the contents of the license, and internal executive units didn't follow up the latest regulations update, which caused air pollution control fees under-reported for the past periods, the Environmental Protection Bureau of Taichung city government, by No. 1080045552 on May 2, 2019, had recalculated the fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 in accordance with Article 75 of the Air Pollution Control Act and requested the Company to pay double the amount of the fee rates for pollution source emissions, which was in total NTD\$ 125,869,455 (has been recognized in the 2nd quarter financial report of 2019). The Company has paid the fine within the time limit, and sought for administrative relief. The Taichung High Administrative Court decided against the Company on October 8, 2020, and the case is currently appealed to the Supreme Administrative Court. Regarding the above-mentioned lack of environmental safety, the Company has completed the improvement after the event.

Due to the above incidents, the prosecutor from the Taiwan Taichung District Prosecutor's Office charged 19 people including the Company for violating the Air Pollution Control Act and the Offenses of Fraudulence of Criminal Code of the Republic of China and ordered the Company to pay NTD\$ 77,298,948 (has been recognized in the financial report of 2019). The Company and the related defendants were convicted and the Company was fined NT\$ 23.50 million by the Taiwan Taichung District Court in the first instance. The Company and Chairman Dai, Hung-Chuan, General manager, Tsao, Hsih-Chung and employee, Tsai, Kun-Shou have filed appeals within the legal period, and the entire case (Shang-Su-Zi No. 2499, Year 2022) is still being heard by the Taichung Branch Court of the Taiwan High Court. The rest of the verdict has been confirmed.

2. In 2021, the Environmental Protection Bureau identified the wrong waste label code and fined the Company NT\$6,000 (No. 1100028219) for violating Waste Disposal Act. However, we still dissented from the result and started administrative proceedings. (Note: Because of the Environmental Protection Bureau revised fine notification on September 26, 2022, the determined information was amended to 2022 )

#### **5.4.2 Countermeasure (including improvement) and possible expenditure in the future**

1. The Company has introduced the ISO 14001 Environmental Management System to reduce environmental risks and increase our positive environmental impact.
2. As of the end of 2022, a total of 38 people in the Company have been certified with licenses for air pollution control, wastewater treatment, waste disposal, and toxic chemical substances technician. The training for environmental dedicated personnel is aimed to be conducted continuously.
3. The Company has recruited several environmental safety specialists, cooperated with the Environmental Protection Bureau to hold teaching workshops on pollution prevention practices in printing, and also cooperated with the Industrial Technology Research Institute to improve the air pollution control equipment.

Their responsibilities are to increase the understanding and training of environmental protection regulations in all plants, promptly update related laws, and fully implement procedures related to environmental protection law, occupational safety, environmental sanitation.

4. The Expenditure for Environmental Protection: (Currency: NTD)

Contents	1. The maintenance cost for air and water pollution and waste installation. 2. Periodic and irregular inspection fee for environmental protection. 3. The Company outsources to proper disposal of the waste. 4. Related fees as air pollution, land pollution, and water pollution fees. 5. Related fees for park adoption, environmental education for employees, the review of the permit documents, environmental consultant, and implementation of the environmental management system.		
Year	2020	2021	2022
Cost	74.25 million	65.82 million	70.75 million
Total	210.82 million		

5. In order to demonstrate our determination to continuously improve and promote environmental protection, the Company has purchased label UV flexo printing machines from Italy in 2019, which have a number of advantages, such as no solvent, no VOCs (volatile organic compounds) emissions, no residual ink to reduce waste, accurate color, automatic plate change, and so on. The equipment is able to provide environmental, safe, and high texture label products. We will keep promoting and replacing the traditional high pollution intaglio printing with UV flexo printing, thoroughly solving the problem of air pollution emissions to actively contribute to environmental protection.
6. Comply with toxic and chemical substances regulations. Assess in advance and register to local Environmental protection bureau before implementing, keep records and report regularly during the implementation, also, conduct issues related to personnel training, hazard evaluation and prevention to prevent from destroying natural ecosystems and damaging property due to the operation of chemical substances.

### 5.4.3 Policy of Environmental Protection and Employee Safety and Health

1. Systematize and standardize the management of environmental protection in all plants.
  - (1) Implement the ISO 14001 Environmental Management System and recruit several environmental safety specialists to regularly check environmental protection matters and conduct courses related to environmental management. Including the implementation points of various environmental protection businesses and acts and announcements, strengthening the operation of emergencies and response in the operation process of the plant, a total of 124 people participated so that the employees could improve the quality of management.

- (2) Environmental protection training is included in compulsory courses for new employees to improve employees' environmental awareness.
  - (3) The Company has passed the Cleaner Production Assessment System of the Green Factory Label and complies with their requirement to keep promoting.
2. Promote waste reduction and reuse of resources
- (1) Instead of incineration, the Company promotes waste plastic recycling and turns waste labels into solid recovered fuel (SRF) and recycled plastic resins to improve the recycling rate of plastic waste in all plants.
  - (2) Install waste residue dehydrator which can reduce the water content of waste so the recycling rate of organic fertilizers will be increased.
  - (3) The sludge generated from food processing will be re-used in anaerobic biogas for power generation, turning waste into energy and becoming friendly to the environment.
3. Conduct water resource and sewage management
- (1) In order to monitor sewage disposal in plants, the Company installed the equipment of flow meters, monitors, and UPS equipment in 2020. At present, the person responsible for carrying out drain water, ditch, and water meter inspection of the plant and analysis of water consumption and drainage to achieve control every day.
  - (2) Conducted water vulnerability assessment and water resource management plan with the client and participated in ISO 46001 water efficiency management systems promoted by the Ministry of Economic Affairs. The system will analyze water consumption to conduct water resource management and water conservation plan and reuse recycled water to control equipment, cooling towers, or other cleaning and watering to improve the reuse rate of water resources.
  - (3) Installed additional cooling water tower drainage and process cooling water recovery and filtration devices to increase the water reutilization rate.
  - (4) Build up a plan for installing prevent sewage overflow facilities and strengthening spill containment pallets in the temporary storage area for outdoor solvents and waste ink so as to avoid leakage from directly polluting the drain or the ground. Formulate relevant emergency response procedures and regularly arrange wastewater leakage training and drills to avoid pollution caused by abnormal drainage.
  - (5) Timing alarms and high-level alarms are installed in each of the wastewater collection wells to prevent waste water from overflowing into the storm water drainage, to implement storm water diversion and to strengthen waste water control measures.
4. Waste Management
- (1) Sources of waste: General business waste discharged from the plant; waste labels (D-0299 waste plastic mixture) from labels manufactured by the Packaging Materials Division; plant-based waste residue and sludge from the

beverage filling process in the Beverages Division. Most of the waste is reused for back-end treatment (about 84%), while the remaining waste that cannot be recycled or may cause environmental pollution is treated by incineration or thermal treatment as the end-process (about 15%).

- (2) Since 2019, the Company has been properly handling and complying with waste management regulations, and has included all types of recycling and reuse methods in the plant in the scope of joint declaration, resulting in an increase in the overall waste generation statistics. The Company will continue to implement waste control, and strengthen employees' awareness of waste resource separation and recycling.
  - (3) To properly manage the flow of waste, the dedicated environmental protection personnel of each area will arrange a site visit prior to waste removal to ensure the waste remover's actual capability and treatment situation. An annual inspection on waste vendors has also been proposed to reduce the risk of pollution from abnormal treatment by vendors.
5. Conduct assessment in plants and the supply chain management promotion
- (1) To prevent violating the law from changes in legislations, the Company monitors activities in plants regularly and how much they are in conformity with various environmental regulations, keep ourselves updated of new regulations every month.
  - (2) Set up inspection system of pollution in plants and irregularly check waste management every week, conduct inspection and examination of the air pollution, waste disposal and waste storage in plants every month.
  - (3) Through the supply chain assessment of the year to strengthen the management of the supplier's environment, occupational safety, and human rights issues, and value the concept of corporate social responsibility, to reduce the risks caused by suppliers to the enterprise.
6. Perform greenhouse gas inventory and registration operations
- The Taichung plant has completed the verification of the greenhouse gas inventory data for FY2021 in 2022, and the greenhouse gas emissions from the Taichung plant reached the threshold of supervision by the Environmental Protection Administration in 2022, and will continue to complete the verification and registration of the greenhouse gas inventory of the Taichung Plant and Plant 2 in 2023.

#### **5.4.4 Safety and Health**

1. Employee safety holds considerable importance for the Company. To ensure that all employees work safely, we create a safe workplace and a healthy and friendly work environment. Safety promotion and training are provided continuously. By training, real stories and safety videos, employees' awareness of occupational safety could be maintained. We hope to implement safety and health management that "Safety Culture," and three safety stages: independence, dependence, and interdependence.
2. For the operational risks of occupational safety, we set up the Occupational

Safety and Health Center and the Occupational Safety and Health Committee to formulate management policies, implementation, review, and planning for occupational health and safety. Each plant actively introduced ISO 45001 and CNS 45001(TOSHMS)Occupational Safety and Health Management System certifications. The relevant instructions are as follows:

(1) Occupational Safety and Health Management System and Maintenance

To create a safe and great work environment for employees, our plants have passed the international standard for occupational health and safety management systems ISO 45001 : 2018 & CNS 45001 : 2018 since 2001.

All employees are dedicated to promoting the environment and occupational safety and health policy: Comply with Laws and Regulations of Government, Implement Continuous Improvement, Eliminate Risk, Fulfill Social Responsibility, Strengthen Communication and Consultation, Full Employee Participation, Build a Friendly Workplace, and Ensure Sustainable Operation.

(2) Risk management and improvement

Each department reviews hazard identification, risk assessment, and risk control every year to find the risks and set the target for improvement. Through external validation and clients audit, we continuously improve the environment of the plants and provide employees with a safe working environment to prevent occupational accidents from occurring.

(3) Promote occupational safety and health committee

Each plant's occupational safety and health committees were responsible for preparing, planning, supervising, and promoting occupational safety and health management matters to implement the occupational safety and health management system. Quarterly meetings are held on occupational safety and health, and the results of the discussions are determined and implemented by the committee's highest-level supervisor.

(4) The Company set up the annual training program for occupational safety and health education, and implements according to the occupational safety and health education training program. The total hours of education and training are 13,242 hours in 2022. The training items include general safety education training, specific occupational hazard, hazardous activity or situation training, fire and evacuation drills, conduct the toxic chemical substance disaster drill, confined space drill, and natural gas leakage drill. By enhancing working personnel's ability, they can use their professional skills when an emergency occurs to prevent further expansion of disaster and gather everyone to carry out disaster rescue works for the goal of employee safety. A total of 618 people obtained occupational safety and health certificates in the production department, and 304 people received certificates for new training and return training in 2022. The total cost of external training is NTD\$ 215.5 thousand per year.

(5) Apply the monitoring and improvement of working environment

Job site monitoring is carried out every six months; strategic planning and formulating a working environment monitoring plan is reviewed and updated according to actual needs. The results will be publicly announced according to regulations to avoid workers' exposure to various hazard factors.

Relevant improvements will be taken to address the deficiencies, so a safe working environment can be ensured for all employees.

(6) Implement the source control and safe storage of hazardous chemicals, handle risk assessment, and hazard identification. Moreover, the production department regularly updates the chemical inventory and evaluates the safety planning of the storage area. Several risk reduction and prevention measures

are also taken, such as the centralized chemical storage with better ventilation, installation of fire-fighting equipment, and the fire compartment. Following the law and regulation, we regularly carry out declarations, such as priority chemicals management, existing chemicals, and dangerous goods in plants.

(7) Safeguarding Health

The standard of an employee health examination is higher than the regulatory requirements. According to laws and regulations, the Company conducts physical inspections every year and provides special physical reviews annually, and continuously follows up on the abnormal conditions in employees to ensure good health management.

According to the scale of each plant, the Company has set up full-time nursing personnel for labor health services and contracted occupational medicine doctors to perform on-site service three times a month. The medical personnel and the occupational safety and health personnel conduct on-site visits and determine the main annual tasks of labor health services. Because employee's health matters to us, the Company, in addition to complying with requirements of regulations, provides monthly doctor's on-site service of labor health services to take care of our employees and create a healthy workplace.

We will continue to promote four programs initiated by the Occupational Safety and Health Administration (OSHA): "Protecting and Managing Maternal Health at the Workplace," "Prevention of Ergonomic Hazards," "Preventing Abnormal Workload-triggered Disorders," "Prevention of Unlawful Infringement in the Performance of Duties." In 2022, we formulated the "Occupational Safety and Health Management for Middle-aged and Elderly Workers" in accordance with the latest guidelines and established management methods, with dedicated personnel to regularly implement the key items to ensure the health status of employees, and to continuously educate and track the effectiveness of health management.

Due to the pandemic of COVID-19, the Company established the Pandemic Prevention Committee on January 3, 2021, to capture domestic and overseas epidemics. We pay attention to the policies and instructions issued by the Centers for Disease Control (CDC) and start different prevention and control actions according to the level of response to effectively prevent the invasion and spread of the epidemic and protect the employees' health.

## 5.5 Labor Relations

### 5.5.1 The employee welfare measure, continuing education, training, retirement system and the implementation status, the agreement between employee and employer, and the status of the employee's right and interest maintenance measure

(1) Employee's benefit policies:

1. Offer health insurance and labor insurance to all employees, and group insurance to specific personnel in accordance with regulations.
2. To maintain employees' good health, THC provides free Health Examination every year.



3. The Company provides a safe work environment, arranges fire compartment in office area and sets adequate fire extinguisher in accordance with Fire Act. Also, the company organizes the Self-defense fire team and carries out training of fire prevention on a casual basis to reinforce employees' abilities to respond to emergency.
4. Set up Coffee bookstore, in which offering books, newspapers and magazines for employees to read and borrow.
5. Offer infirmary and Nursery room.
6. Provide dormitory for non-local employees to lower their financial burden and reduce risk in commuting.
7. Offer parking lots and buffet-style meals in canteen for employees.

(2) Benefit policies and implementation status which Employees' Welfare Committee organizes:

1. Offer Birthday Bonus, Marriage Subsidy, Childbirth Subsidy, Death Subsidy and Holiday bonus(gifts) for three Chinese festivals.
2. Organize incentive tours for excellent employees, year-end banquet and raffle.
3. Other various employees' subsidies and activities.

(3) Pension system:

The Company has formulated the Workers Retirement Measures in accordance with the Labor Law and established the Supervisory Committee of the Workers' Retirement Reserve Fund. The Company contributes labor pension to the Central Trust of China every month. Also, for the person who chooses to apply to the pension system of this Labor Pension Act after July 1, 2005, THC every month contributes 6% of the worker's monthly wage to individual accounts of labor pension. (Please refer to page 54 in this annual report)

An employee may apply for voluntary retirement under any of the following conditions: 1. Employees who have served the Company for more than 15 years and are 55 years of age or older ; 2. who have served the Company for more than 25 years ; 3. who have served the Company for more than 10 years and are 60 years of age or older.

(4) Education and continuous training:

Since the Company was founded in 1969, we have treated our employees with honesty and have regarded our employees as assets and partners to grow together, through the welfare measures, to enrich and stabilize the employees' lives, and good education training, to establish good relationships of mutual trust and interdependence with the employees.

To nurture the Company for sustainable business development, human resources department established "Hon Chuan Academy" in order to actively cultivate the talents needed for the future, and the employee education training measures, normative education training system and training norms were also established as the basis to conduct training and to reserve professional management talents.

In 2022, education training of the Company includes topic such as food safety, quality management, occupational safety and health, ethical management,



internal control and regulation compliance. The total training courses are 26,609 hours.

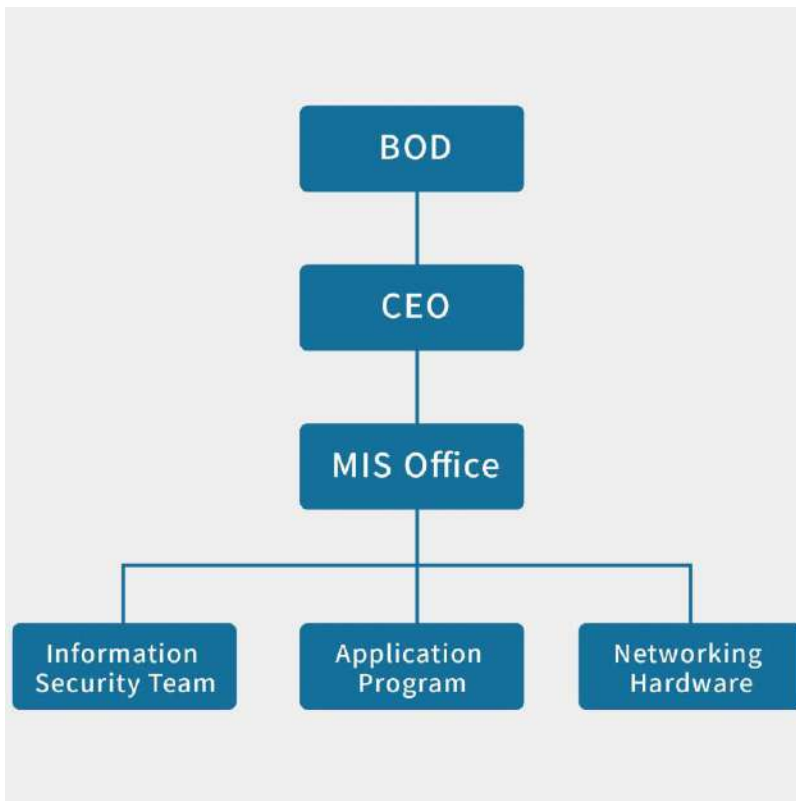
To provide a complete education training system, enhance employees' professional skills and personal growth; good working environment would enable employees to work with peace of mind.

**5.5.2 List any losses suffered by the company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided:** None

## **5.6 Cyber Security Management**

**5.6.1 Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management**

(1) The cyber security risk management framework

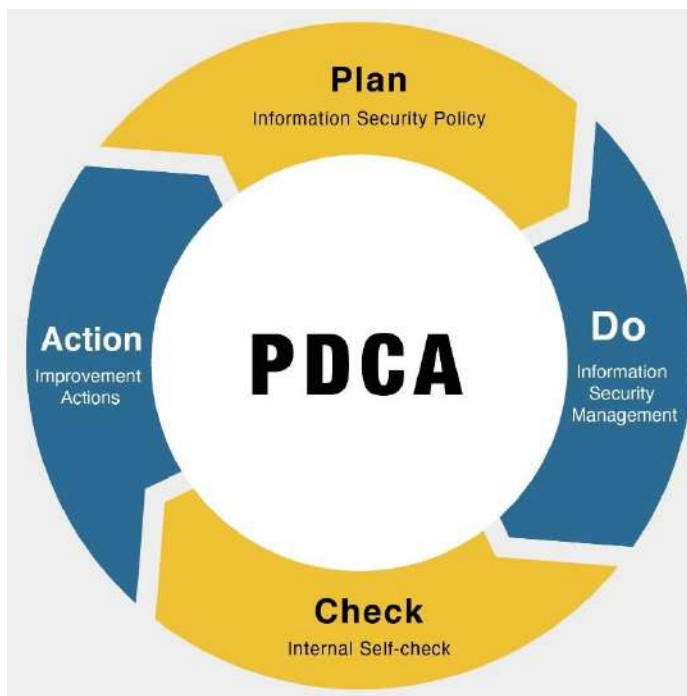


On November 10, 2022, the Board of Directors resolved to establish the information security supervisor and personnel. They are in charge of information security policy formulation, implementation, risk management, and compliance audits, with an Information Security Team under its supervision. Information Security's highest-level supervisor delivers reports on information security management performance, related issues, and directions every year to the Board of Directors. The 2021 implementation was reported to the Board of Directors by the chief auditor on May 10, 2022.

(2) Cyber security policies

"To maintain the Company information security, conduct self-manage, and raise information security awareness"

An Information Security Team let the Company's concept of information security take root through the "Information Protection Working Committee." The Committee, which covers all organizations with Taiwan plants and overseas subsidiaries, convenes regular meetings to keep track of situations and utilizes the Plan-Do-Check-Act(PDCA) cycle to inspect the policy applicability and measures such as information protection.



**Plan:** Refer to relevant information security systems, and formulate information policy and management measures.

**Do:** Multi-layer information security protection: and management(physical security, network security, device security, access management, and information security maintenance and operation.)

**Check:** Information security monitoring

**Action:** Review and improvement on information security measures, introduce the new information security protective tools, and training programs and promotion campaigns on information security

(3) Concrete management programs

Multi-layer information security protection:

<b>Network Security</b>	<ul style="list-style-type: none"> <li>• Deploy IPS intrusion detection protection system between the intranet and internet.</li> <li>• Strengthen network firewall and network control, shut down non-essential networks and services to reduce the risk of malicious attack.</li> </ul>
<b>Device security</b>	<ul style="list-style-type: none"> <li>• Monthly patch updates for the Windows operating system.</li> <li>• Endpoint anti-virus measures based on computer type.</li> </ul>
<b>Host and application security</b>	<ul style="list-style-type: none"> <li>• Enhance system and software vulnerability remediation.</li> <li>• Implemented intrusion protection system for important host computers; conducted two disaster recovery exercises for core systems.</li> </ul>
<b>Education, training and awareness promotion</b>	<ul style="list-style-type: none"> <li>• Conduct information security promotion and social engineering drills regularly to cultivate employees' information security awareness.</li> </ul>

- (4) Investments in resources for cyber security management
- In 2022, the corporate information security measures implementation results
- a. The core system to conduct disaster recovery drills: 2 times
  - b. Conducted email social engineering drills: 2 times
  - c. Information security promotion: 4 times
  - d. Participated in information security protection services promoted by the Industrial Development Bureau, Ministry of Economic Affairs and obtained resource assistance, such as information security ratings, check-ups, and courses.
  - e. The information security supervisor participated in the 26-hour education and training of the advanced practical class of technological information security by the Industrial Development Bureau, Ministry of Economic Affairs.
  - f. There has been no major information security incident occurred.

Although the Company has not purchased the cyber insurance, the performance of the Information Security Team and the implementation of the Information Security Policy can also create a secure IT environment to ensure the information security of the Company's various services.

### **5.6.2 List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.**

- (1) There has been no major information security incident occurred in 2022.
- (2) Information and communication security risks and countermeasures:  
The Company has established a comprehensive network and computer-related information security measures, but it cannot guarantee that the Company will be fully protected from emerging risks and attacks in the face of rapidly changing

information security threats, including threats to the Company's computer systems that operate critical corporate functions, network attacks from any third-party paralyzed systems, malicious hackers attempting to implant computer viruses, destructive software or ransomware introduced into the Company's network systems to interfere with the Company's operations, or to extort or blackmail the Company by gaining control of computer systems. These attacks could result in losses due to business interruptions or incur significant costs to implement remediation and improvement measures to strengthen the Company's network security systems.

In order to prevent and reduce the damage caused by such attacks, the Company implements improvements and regularly updates its systems on an ongoing basis. Hon Chuan has joined the Taiwan Computer Emergency Response Team / Coordination Center (TWCERT/CC), Taichung Port Technology Industrial Park [Information Security Sharing], Chunghwa Telecom HiNet SOC, etc. to receive information security notifications and intelligence, strengthen system and software vulnerability repairs, introduce an intrusion protection system to important hosts, strengthen network firewall and network control, and set up endpoint anti-virus measures based on the computer type. The Company also conducts regular information security promotion and social engineering drills to train and cultivate sound information security awareness among employees. The core system has established a backup mechanism and conducts disaster recovery drills twice a year to ensure the viability of important information systems.

In the future, in addition to the expansion of information security personnel, we plan to conduct regular training and certification to improve the company's information security in terms of manpower and capability to ensure the Company's information security.

## 5.7 Major Contracts

April 21, 2023

Agreement	Counterparty	Period	Major Content	Restriction
Long-term Loan Contract	Mizuho Bank	2020.10.29 ~2023.10.13	To repay loan and strengthen operating capital	None
Long-term Loan Contract	The Export-Import Bank of the Republic of China	2020.01.03 ~2025.01.03	Overseas investment funds	None
Long-term Loan Contract	E.SUN Bank	2019.07.15 ~2026.07.15	To support investment plans and strengthen operating capital	None
Long-term Loan Contract	Hua Nan Bank	2019.10.31 ~2024.10.31	To support investment plans and strengthen operating capital	None
Long-term Loan Contract	Taipei Fubon Bank	2019.10.31 ~2024.10.31	To support investment plans and strengthen operating capital	None
Fixed Rate Commercial Paper	Taiwan Finance Corporation	2021.06.22 ~2025.06.20	Strengthen operating capital	None

## 6. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Consolidated Balance Sheet and Comprehensive Income Statement

##### 6.1.1.1 Condensed Consolidated Balance Sheet – IFRS

Unit: NTD\$ Thousand

Year		Financial Data Within the Last 5 Years (Note 1)				
Item		2018	2019	2020	2021	2022
Current Assets		10,441,913	11,097,170	10,608,001	12,902,873	14,413,283
Property, Plant and Equipment		16,793,643	16,146,473	16,654,786	17,197,599	18,246,321
Intangible Assets		370,713	370,046	350,327	347,622	377,384
Other Assets		1,809,665	3,910,352	4,079,396	3,095,923	3,601,215
Total Assets		29,415,934	31,524,041	31,692,510	33,544,017	36,638,203
Current Liabilities	Before Distribution	7,229,766	8,325,948	6,981,922	7,806,355	13,498,764
	After Distribution	7,903,387	9,204,585	8,017,951	9,043,834	14,880,136
Non-current Liabilities		9,107,003	9,469,956	10,826,683	11,547,419	7,597,455
Total Liabilities	Before Distribution	16,336,769	17,795,904	17,808,605	19,353,774	21,096,219
	After Distribution	17,010,390	18,674,541	18,844,634	20,591,253	22,477,591
Shareholders' Equity (Before Distribution)		12,446,743	12,941,728	13,076,011	13,460,225	14,911,031
Capital Stock		2,928,789	2,928,789	2,877,859	2,877,859	2,877,859
Additional Paid-in Capital		5,485,872	5,485,872	5,395,572	5,395,572	5,395,572
Retained Earnings	Before Distribution	5,777,383	6,482,105	7,113,755	8,042,009	9,025,101
	After Distribution	5,103,762	5,603,468	6,077,726	6,804,530	7,643,729
Other Equity		(1,745,301)	(1,955,038)	(2,311,175)	(2,855,215)	(2,387,501)
Treasury Stock		—	—	—	—	—
Non-controlling Equity		632,422	786,409	807,894	730,018	630,953
Total Equity	Before Distribution	13,079,165	13,728,137	13,883,905	14,190,243	15,541,984
	After Distribution	12,405,544	12,849,500	12,847,876	12,952,764	14,160,612

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

Note 2: Proposal for Distribution of 2022 Profits has not yet to be resolved in the shareholders' meeting.

### 6.1.1.2 Condensed Consolidated Comprehensive Income Statement – IFRS

Unit: NTD\$ Thousand

Item \ Year	Financial Data Within the Last 5 Years				
	2018	2019	2020	2021	2022
Operating Income	19,929,717	21,527,348	19,348,249	21,382,534	24,696,308
Gross Profit	3,522,881	4,282,310	4,105,701	4,910,687	5,144,543
Operating Profit or Loss	1,576,410	2,255,948	2,189,846	2,827,972	2,799,543
Non-Operating Income and Expense	(94,457)	(257,099)	(34,533)	(122,999)	40,817
Net Income Before Tax	1,481,953	1,998,849	2,155,313	2,704,973	2,840,360
Net Income from Continuing Operations	1,102,204	1,466,602	1,730,740	2,028,385	2,277,184
Income (or Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	1,102,204	1,466,602	1,730,740	2,028,358	2,277,184
Other Comprehensive Income (Loss) (After-tax)	(408,017)	(223,071)	(364,883)	(629,692)	437,957
Total Comprehensive Income (Loss)	694,187	1,243,531	1,365,857	1,398,666	2,715,141
Net Income Attributable to the Parent	1,092,531	1,381,036	1,655,412	1,964,731	2,215,138
Net Income Attributable to Non-Controlling Interests	9,673	85,566	75,328	63,627	62,046
Total Comprehensive Income Attributable to the Parent	722,687	1,168,606	1,294,963	1,420,243	2,688,285
Total Comprehensive Income Attributable to Non-Controlling Interests	(28,500)	74,925	70,894	(21,577)	26,856
Earnings Per Share (NTD\$)	3.73	4.72	5.72	6.83	7.70

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

## 6.1.2 Condensed Non-Consolidated Balance Sheet and Income Statement

### 6.1.2.1 Condensed Non-Consolidated Balance Sheet – IFRS

Unit: NTD\$ Thousand

Year Item		Financial Data Within the Last 5 Years (Note 1)				
		2018	2019	2020	2021	2022
Current Assets		2,807,277	2,573,858	2,470,056	3,498,831	4,638,576
Property, Plant and Equipment		5,092,779	4,822,395	5,605,344	6,260,952	6,459,265
Intangible Assets		533	1,618	1,181	10,515	8,084
Other Assets		14,001,765	18,283,433	20,585,528	20,634,382	21,891,009
Total Assets		21,902,354	25,681,304	28,662,109	30,404,680	32,996,934
Current Liabilities	Before Distribution	2,628,740	5,560,761	5,741,203	5,669,302	10,824,965
	After Distribution	3,302,361	6,439,398	6,777,232	6,906,781	12,206,337
Non-current Liabilities		6,826,871	7,178,815	9,844,895	11,275,153	7,260,938
Total Liabilities	Before Distribution	9,455,611	12,739,576	15,586,098	16,944,455	18,085,903
	After Distribution	10,129,232	13,618,213	16,622,127	18,181,934	19,467,275
Shareholders' Equity(Before Distribution)		12,446,743	12,941,728	13,076,011	13,460,225	14,911,031
Capital Stock		2,928,789	2,928,789	2,877,859	2,877,859	2,877,859
Additional Paid-in Capital		5,485,872	5,485,872	5,395,572	5,395,572	5,395,572
Retained Earnings	Before Distribution	5,777,383	6,482,105	7,113,755	8,042,009	9,025,101
	After Distribution	5,103,762	5,603,468	6,077,726	6,804,530	7,643,729
Other Equity		(1,745,301)	(1,955,038)	(2,311,175)	(2,855,215)	(2,387,501)
Treasury Stock		—	—	—	—	—
Non-controlling Equity		—	—	—	—	—
Total Equity	Before Distribution	12,446,743	12,941,728	13,076,011	13,460,225	14,911,031
	After Distribution	11,773,122	12,063,091	12,039,982	12,222,746	13,529,659

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

Note 2: Proposal for Distribution of 2022 Profits has not yet to be resolved in the shareholders' meeting.



### 6.1.2.2 Condensed Non-Consolidated Comprehensive Income Statement – IFRS

Unit: NTD\$ Thousand

Item \ Year	Financial Data Within the Last 5 Years				
	2018	2019	2020	2021	2022
Operating Income	8,474,763	8,628,937	7,911,048	8,013,934	8,647,895
Gross Profit	1,882,926	1,963,618	1,971,518	2,060,350	2,087,521
Operating Profit or Loss	975,546	1,004,065	989,455	982,816	931,688
Non-Operating Income and Expense	328,581	583,710	819,159	1,161,650	1,475,669
Net Income Before Tax	1,304,127	1,587,775	1,808,614	2,144,466	2,407,357
Net Income from Continuing Operations	1,092,531	1,381,036	1,655,412	1,964,731	2,215,138
Income (or Loss) from Discontinued Operations	—	—	—	—	—
Net Income (Loss)	1,092,531	1,381,036	1,655,412	1,964,731	2,215,138
Other Comprehensive Income (Loss) (After-tax)	(369,844)	(212,430)	(360,449)	(544,488)	473,147
Total Comprehensive Income (Loss)	722,687	1,168,606	1,294,963	1,420,243	2,688,285
Net Income Attributable to the Parent	1,092,531	1,381,036	1,655,412	1,964,731	2,215,138
Net Income Attributable to Non-Controlling Interests	—	—	—	—	—
Total Comprehensive Income Attributable to the Parent	722,687	1,168,606	1,294,963	1,420,243	2,688,285
Total Comprehensive Income Attributable to Non-Controlling Interests	—	—	—	—	—
Earnings Per Share (NTD\$)	3.73	4.72	5.72	6.83	7.70

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

### 6.1.3 The name and opinion of the independent auditor within the last 5 year

Year	Name of CPAs	Auditor's opinions
2018	Deloitte & Touche Tseng, Done-Yuin, Wu, Li-Dong (Note 1)	Unqualified Opinion and other matters
2019	Deloitte & Touche Tseng, Done-Yuin, Yen, Hsiao-Fang	Unqualified Opinion and other matters
2020	Deloitte & Touche Tseng, Done-Yuin, Yen, Hsiao-Fang (Note 2)	Unqualified Opinion and other matters
2021	Deloitte & Touche Wu, Shao-Chun, Yen, Hsiao-Fang (Note 3)	Unqualified Opinion and other matters
2022	Deloitte & Touche Wu, Shao-Chun, Yen, Hsiao-Fang	Unqualified Opinion and other matters

Note 1: Change of certified public accountant (CPA) from Yen, Hsiao-Fang and Tseng, Done-Yuin to Tseng, Done-Yuin and Wu, Li-Dong were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

Note 2: Change of certified public accountant (CPA) from Tseng, Done-Yuin and Wu, Li-Dong to Tseng, Done-Yuin and Yen, Hsiao-Fang were due to internal adjustments within Deloitte & Touche, the certifying accounting firm.

Note 3: Change of certified public accountant (CPA) from Tseng, Done-Yuin and Yen, Hsiao-Fang to Yen, Hsiao-Fang and Wu, Li-Dong were due to internal adjustments within Deloitte & Touche, the certifying accounting firm in the 1st quarter of 2021. Due to internal adjustments to change to Wu, Shao-Chun, and Yen, Hsiao-Fang in the 3rd quarter of 2021.

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis – IFRS

Analysis Item \ Year		Financial Data Within The Last 5 Years				
		2018	2019	2020	2021	2022
Finance Structure	Debt to Asset Ratio (%)	55.54	56.45	56.19	57.7	57.58
	Long-term Capital to Property, Plant and Equipment Ratio (%)	131.32	140.31	144.51	146.03	123.11
Solvency	Current Ratio (%)	144.43	133.28	151.94	165.29	106.77
	Quick Ratio (%)	90.11	89.24	103.2	111.82	71.81
	Interest Coverage	6.96	8.64	13.85	20.58	16.71
Operating Ability	Accounts Receivable Turnover (Times)	6.48	6.4	5.98	6.24	6.19
	Average Collection Days	56	57	61	58	59
	Inventory Turnover (Times)	6.76	6.89	6.37	6.23	6.13
	Accounts Payable Turnover (Times)	16.56	16.55	16.53	17.21	16.82
	Average Inventory Turnover Days	54	53	57	59	60
	Fixed Asset, Machinery and Facility Turnover (Times)	1.19	1.33	1.16	1.24	1.35
	Total Asset Turnover (Times)	0.68	0.68	0.61	0.64	0.67
Profitability	Return on Asset (%)	4.68	5.67	6.01	6.64	7
	Return on Equity (%)	8.4	10.94	12.54	14.45	15.32
	Pre-tax Profit to Paid-in Capital Ratio (%)	50.6	68.25	74.89	93.99	98.7
	Net Margin (%)	5.53	6.81	8.95	9.49	9.22
	Earnings Per Share (NTD\$)	3.73	4.72	5.72	6.83	7.7
Cash Flow	Cash Flow Ratio (%)	40.55	49.93	60.48	46.2	28.47
	Cash Flow Adequacy Ratio (%)	89.22	105.23	104.04	91.2	93.23
	Cash Flow Re-investment Ratio (%)	5.57	8.18	7.27	5.36	5.57
Leverage	Operating Leverage	2.40	2.02	2.05	1.81	1.83
	Financial Leverage	1.19	1.13	1.08	1.05	1.07

Please explain the variation reasons of all financial ratios (which exceeding 20%) in the most recent 2 years:

1. The decrease in Current Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased. and the current ratio decrease.
2. The decrease in Quick Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased, and quick ratio decreased.
3. The decrease in Cash Flow Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased, and the cash flow ratio decreased.

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

## 6.2.2 Non-consolidated Financial Analysis – IFRS

Analysis Item		Year	Financial Data Within The Last 5 Years (Note 1)				
			2018	2019	2020	2021	2022
Finance Structure	Debt to Asset Ratio (%)		43.17	49.61	54.38	55.73	54.81
	Long-term Capital to Fixed Asset Ratio (%)		377.34	410.06	401.10	395.07	343.26
Solvency	Current Ratio (%)		106.79	46.29	43.02	61.72	42.85
	Quick Ratio (%)		58.00	26.03	23.84	37.69	25.21
	Interest Coverage		20.43	17.69	15.50	18.28	15.90
Operating Ability	Accounts Receivable Turnover (Times)		7.75	7.22	7.22	7.41	7.05
	Average Collection Days		47	51	51	49	52
	Inventory Turnover (Times)		7.47	7.97	7.33	6.51	6.53
	Accounts Payable Turnover (Times)		10.05	9.64	7.77	9.21	9.86
	Average Inventory Turnover Days		49	46	50	56	56
	Property, Plant and Equipment Turnover (Times)		1.66	1.79	1.41	1.28	1.34
	Total Asset Turnover (Times)		0.39	0.34	0.28	0.26	0.26
Profitability	Return on Asset (%)		5.49	6.12	6.46	6.99	7.40
	Return on Equity (%)		8.77	10.88	12.73	14.81	15.62
	Pre-tax Profit to Paid-in Capital Ratio (%)		44.53	54.21	62.85	74.52	83.65
	Net Margin (%)		12.89	16.00	20.93	24.52	25.61
	Earnings Per Share (NTD\$)		3.73	4.72	5.72	6.83	7.70
Cash Flow	Cash Flow Ratio (%)		44.63	23.53	29.29	20.49	11.77
	Cash Flow Adequacy Ratio (%)		54.30	44.88	41.31	38.14	41.96
	Cash Flow Re-investment Ratio (%)		1.75	2.38	2.68	0.39	0.12
Leverage	Operating Leverage		4.63	4.60	4.12	4.16	4.33
	Financial Leverage		1.07	1.10	1.14	1.14	1.21

Please explain the variation reasons of all financial ratios (which exceeding 20%) in the most recent 2 years:

1. The decrease in Current Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased.
2. The decrease in Quick Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased, and quick ratio decreased.
3. The decrease in Cash Flow Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased, and the cash flow ratio decreased.
4. The decrease in Cash Flow Re-investment Ratio: 1. Fixed assets increased by NT\$ 776 million compared with 2021 due to the increase of construction in progress and machinery acquisition. 2. Long-term investment increased by about NT\$ 1.064 billion compared with 2021 due to increase in profits of subsidiaries and depreciation of the New Taiwan dollars.

Note 1: The Company has adopted IFRS since 2012. All the Annual Financial Statements above have audited by CPA.

**The calculation formula of financial analysis:**

## 1. Capital Structure Analysis

- (1) Debt to Asset Ratio = Total Liabilities / Total Assets
- (2) Long-term Capital to Property, Plant and Equipment Ratio = (Total Equity – Non-current Liabilities) / Net Property, Plant and Equipment

## 2. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
- (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

## 3. Operating Performance Analysis

- (1) Average Collection Turnover = Net Sales / Average Trade Receivables
- (2) Average Collection Turnover Days = 365 / Receivables Turnover Rate
- (3) Average Inventory Turnover = Cost of Sales / Average Inventory
- (4) Average Inventory Turnover Days = 365 / Inventory Turnover Rate
- (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
- (6) Property, Plant and Equipment Turnover = Net Sales / Average Net Property, Plant and Equipment
- (7) Total Assets Turnover = Net Sales / Average Total Assets

## 4. Profitability Analysis

- (1) Return on Total Assets = (Net Income + Interest Expenses \* (1 - Effective Tax Rate)) / Average Total Assets
- (2) Return on Equity = Net Income / Average Total Equity
- (3) Net Margin = Net Income / Net Sales
- (4) Earning per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

## 5. Cash Flow

- (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
- (3) Cash Flow Re-investment Ratio = (Cash Provided by Operating Activities - Cash Dividend) / (Gross Property, Plant and Equipment + Long-term Investment + Other Non-current Asset + Working Capital)

## 6. Leverage

- (1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations
- (2) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

## **6.3 Audit Committees' Review Report in the most recent year**

### **Taiwan Hon Chuan Enterprise Co., Ltd.**

#### **Audit Committees' Review Report**

We hereby state as following:

This proposal is the presentation by the Board of Directors of the Company's 2022 Business Report, Financial Statements, and the Profit Allocation Proposal. Of these items, the Individual and Consolidated Financial Statements have been audited by external auditors Wu, Shao-Chun and Yen, Hsiao-Fang of Deloitte & Touche, Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned items have been reviewed and determined to be correct and accurate by Audit Committee. Per the regulations in Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To

2023 Annual Shareholders' Meeting of Taiwan Hon Chuan Enterprise Co., Ltd.

#### **Taiwan Hon Chuan Enterprise Co., Ltd.**

Audit Committee      Chairman: Hung, Chao-Nan

Commissioner: Huang, Hsiang-Ying

Commissioner: Kung, Yi-Lu

March 10, 2023

## 6.4 Financial statement for the most recent fiscal year

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

#### Opinion

We have audited the accompanying consolidated financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other auditors (please refer to the Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 report of other auditors.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. 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.

The key audit matter identified in the Group's consolidated financial statements for the year ended December 31, 2022 is described as follows:

#### Revenue recognition

The Group manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from high-growth companies from the aforementioned main products is significant to both the Group's revenue and profit, we identified revenue from high-growth companies' recognition as a key audit matter. Refer to Note 4 to the consolidated financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the design of the internal controls related to revenue recognition and tested the operating effectiveness of the key controls. We also sampled and tested the effective continued operations of the relevant controls.
2. We selected sample entries from the main products and checked the entries against the original orders, delivery orders, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and orders.

#### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd., Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Group and are included in the consolidated financial statements as of and for the year ended December 31, 2022 and 2021, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Group's consolidated financial statements for these investees, is based solely on the reports of the other auditors. The total assets of the aforementioned investees were NTD4,399,428 thousand and NTD4,040,075 thousand, representing 12.01% and 12.04%, respectively, of the Group's consolidated assets as of December 31, 2022 and 2021. The total sales of the aforementioned investees were NTD3,771,699 thousand and NTD3,075,600 thousand, representing 15.27% and 14.38%, respectively, of the Group's consolidated net sales for the years ended December 31, 2022 and 2021.

We have also audited the parent company only financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion with other matter paragraph.

#### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated 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 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 auditors' 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 auditors' 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 10, 2023

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 5,243,226	14	\$ 4,952,118	15
Financial assets at fair value through profit or loss - current (Note 7)	3,891	-	-	-
Financial assets at amortized cost - current (Notes 9 and 29)	214,970	1	-	-
Notes receivable from unrelated parties	174,308	-	267,621	1
Trade receivables from unrelated parties (Note 10)	3,964,951	11	3,454,535	10
Trade receivables from related parties (Note 28)	1,807	-	2,773	-
Inventories (Note 11)	3,381,267	9	2,990,817	9
Other current assets (Notes 16, 28 and 29)	<u>1,428,863</u>	<u>4</u>	<u>1,235,009</u>	<u>3</u>
Total current assets	<u>14,413,283</u>	<u>39</u>	<u>12,902,873</u>	<u>38</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	29,702	-	33,241	-
Long-term investments accounted for using the equity method (Note 13)	12,929	-	13,849	-
Property, plant and equipment (Notes 14 and 29)	18,246,321	50	17,197,599	51
Right-of-use assets (Note 15)	1,187,092	3	1,169,916	4
Intangible assets	377,384	1	347,622	1
Deferred tax assets (Note 23)	268,227	1	241,321	1
Prepayments for equipment	2,008,347	6	1,561,965	5
Net defined benefit assets - non-current (Note 20)	20,380	-	-	-
Other non-current assets (Note 16)	<u>74,538</u>	<u>-</u>	<u>75,631</u>	<u>-</u>
Total non-current assets	<u>22,224,920</u>	<u>61</u>	<u>20,641,144</u>	<u>62</u>
TOTAL	<u>\$ 36,638,203</u>	<u>100</u>	<u>\$ 33,544,017</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 4,003,173	11	\$ 2,617,521	8
Short-term bills payable (Note 17)	1,700,000	5	1,200,000	4
Financial liabilities at fair value through profit or loss - current (Note 7)	1,312	-	26	-
Notes payable to unrelated parties	330	-	195	-
Trade payables to unrelated parties	1,237,119	3	1,087,314	3
Current tax liabilities (Note 23)	313,330	1	492,019	1
Lease liabilities - current (Note 15)	45,081	-	46,548	-
Deferred revenue - current (Note 24)	17,655	-	16,562	-
Current portion of long-term liabilities (Notes 17 and 25)	4,419,190	12	955,744	3
Other current liabilities (Notes 19 and 28)	<u>1,761,574</u>	<u>5</u>	<u>1,390,426</u>	<u>4</u>
Total current liabilities	<u>13,498,764</u>	<u>37</u>	<u>7,806,355</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Bonds payable (Note 18)	2,995,846	8	5,993,313	18
Long-term borrowings (Notes 17, 25 and 29)	3,925,886	11	4,929,313	15
Deferred tax liabilities (Note 23)	95,661	1	76,558	-
Lease liabilities - non-current (Note 15)	446,287	1	419,258	2
Deferred revenue - non-current (Note 25)	46,476	-	60,484	-
Net defined benefit liabilities - non-current (Note 20)	37,802	-	35,611	-
Guarantee deposits received	<u>49,497</u>	<u>-</u>	<u>32,882</u>	<u>-</u>
Total non-current liabilities	<u>7,597,455</u>	<u>21</u>	<u>11,547,419</u>	<u>35</u>
Total liabilities	<u>21,096,219</u>	<u>58</u>	<u>19,353,774</u>	<u>58</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Ordinary shares	2,877,859	8	2,877,859	9
Capital surplus	5,395,572	15	5,395,572	16
Retained earnings				
Legal reserve	2,017,461	5	1,821,033	5
Special reserve	2,855,215	8	2,311,175	7
Unappropriated earnings	4,152,425	11	3,909,801	12
Other equity	<u>(2,387,501)</u>	<u>(7)</u>	<u>(2,855,215)</u>	<u>(9)</u>
Total equity attributable to owners of the Corporation	14,911,031	40	13,460,225	40
NON-CONTROLLING INTERESTS	<u>630,953</u>	<u>2</u>	<u>730,018</u>	<u>2</u>
Total equity	<u>15,541,984</u>	<u>42</u>	<u>14,190,243</u>	<u>42</u>
TOTAL	<u>\$ 36,638,203</u>	<u>100</u>	<u>\$ 33,544,017</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Note 28)	\$ 24,696,308	100	\$ 21,382,534	100
COST OF GOODS SOLD (Notes 11, 22 and 28)	<u>19,551,765</u>	<u>79</u>	<u>16,471,847</u>	<u>77</u>
GROSS PROFIT	<u>5,144,543</u>	<u>21</u>	<u>4,910,687</u>	<u>23</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	1,082,471	5	1,003,197	5
General and administrative expenses	1,041,322	4	972,623	5
Research and development expenses	<u>221,207</u>	<u>1</u>	<u>106,895</u>	<u>-</u>
Total operating expenses	<u>2,345,000</u>	<u>10</u>	<u>2,082,715</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>2,799,543</u>	<u>11</u>	<u>2,827,972</u>	<u>13</u>
NON-OPERATING INCOME AND EXPENSES				
Other gains and losses (Notes 22 and 33)	120,425	1	(9,951)	-
Finance costs (Notes 22 and 25)	(180,780)	(1)	(138,183)	-
Interest income	54,553	-	52,197	-
Net foreign exchange gains (losses)	<u>46,619</u>	<u>-</u>	<u>(27,062)</u>	<u>-</u>
Total non-operating income and expenses	<u>40,817</u>	<u>-</u>	<u>(122,999)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,840,360	11	2,704,973	13
INCOME TAX EXPENSE (Note 23)	<u>563,176</u>	<u>2</u>	<u>676,615</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>2,277,184</u>	<u>9</u>	<u>2,028,358</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	6,703	-	(548)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(183)	-	(2,341)	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 23)	(1,270)	-	100	-

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 432,707	2	\$ (626,903)	(3)
Other comprehensive loss for the year, net of income tax	437,957	2	(629,692)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,715,141</u>	<u>11</u>	<u>\$ 1,398,666</u>	<u>7</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,215,138	9	\$ 1,964,731	9
Non-controlling interests	<u>62,046</u>	<u>-</u>	<u>63,627</u>	<u>-</u>
	<u>\$ 2,277,184</u>	<u>9</u>	<u>\$ 2,028,358</u>	<u>9</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,688,285	11	\$ 1,420,243	7
Non-controlling interests	<u>26,856</u>	<u>-</u>	<u>(21,577)</u>	<u>-</u>
	<u>\$ 2,715,141</u>	<u>11</u>	<u>\$ 1,398,666</u>	<u>7</u>
EARNINGS PER SHARE (Note 24)				
Basic	\$ 7.70		\$ 6.83	
Diluted	\$ 7.68		\$ 6.81	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation					Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital (Note 21)	Capital Surplus (Note 21)	Retained Earnings (Notes 21 and 22)			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income			
			Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2021	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814)	\$ (11,361)	\$ 13,076,011	\$ 807,894	\$ 13,883,905
Appropriation of 2020 earnings										
Legal reserve	-	-	151,030	-	(151,030)	-	-	-	-	-
Special reserve	-	-	-	356,137	(356,137)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,036,029)	-	-	(1,036,029)	-	(1,036,029)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(13,705)	(13,705)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(42,594)	(42,594)
Net profit for the year ended December 31, 2021	-	-	-	-	1,964,731	-	-	1,964,731	63,627	2,028,358
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(448)	(541,699)	(2,341)	(544,488)	(85,204)	(629,692)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,964,283	(541,699)	(2,341)	1,420,243	(21,577)	1,398,666
BALANCE AT DECEMBER 31, 2021	2,877,859	5,395,572	1,821,033	2,311,175	3,909,801	(2,841,513)	(13,702)	13,460,225	730,018	14,190,243
Appropriation of 2021 earnings										
Legal reserve	-	-	196,428	-	(196,428)	-	-	-	-	-
Special reserve	-	-	-	544,040	(544,040)	-	-	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,237,479)	-	-	(1,237,479)	-	(1,237,479)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(30,098)	(30,098)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(95,823)	(95,823)
Net profit for the year ended December 31, 2022	-	-	-	-	2,215,138	-	-	2,215,138	62,046	2,277,184
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	5,433	467,897	(183)	473,147	(35,190)	437,957
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,220,571	467,897	(183)	2,688,285	26,856	2,715,141
BALANCE AT DECEMBER 31, 2022	\$ 2,877,859	\$ 5,395,572	\$ 2,017,461	\$ 2,855,215	\$ 4,152,425	\$ (2,373,616)	\$ (13,885)	\$ 14,911,031	\$ 630,953	\$ 15,541,984

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,840,360	\$ 2,704,973
Adjustments for:		
Depreciation and amortization expenses	2,312,682	2,289,724
Expected credit loss recognized on trade receivables	23,680	19,186
Net loss (gain) on fair value changes of financial assets and liabilities at fair value through profit or loss	(2,617)	29,216
Finance costs	180,780	138,183
Interest income	(54,553)	(52,197)
Dividend income	(855)	-
Share of loss of associates accounted for using the equity method	2,365	1,272
Loss on disposal of property, plant and equipment	29,688	54,683
Write-down of inventories	14,105	16,739
Impairment loss on non-financial assets	521	-
Unrealized net loss (gain) on foreign currency exchange	(16,688)	41,810
Gain on lease modification	-	(163)
Reversal of deferred revenue	(17,418)	(15,734)
Net changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	-	14,171
Notes receivable	95,219	(111,100)
Trade receivables	(484,701)	(667,806)
Inventories	(365,667)	(770,599)
Other current assets	(120,974)	(94,847)
Notes payable	121	(944)
Trade payables	132,615	287,009
Other current liabilities	181,510	197,550
Net defined benefit plans	(12,745)	5,142
Deferred revenue	-	10,500
Cash generated from operations	4,737,428	4,096,768
Interest received	45,090	51,199
Interest paid	(145,498)	(114,945)
Income tax paid	(794,327)	(426,644)
Net cash generated from operating activities	<u>3,842,693</u>	<u>3,606,378</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return of capital from financial assets at fair value through other comprehensive income	4,000	-
Purchase of financial assets at amortized cost	(200,428)	-
Payments for property, plant and equipment	(841,979)	(1,133,838)
Proceeds from disposal of property, plant and equipment	11,625	30,371
Decrease (increase) in refundable deposits	(3,470)	5,737

(Continued)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Payments for intangible assets	\$ (469)	\$ (12,316)
Payments for right-of-use assets	(1,289)	(39,020)
Increase in other non-current assets	(15,587)	(31,619)
Increase in prepayments for equipment	(2,628,651)	(1,002,029)
Other dividends received	<u>855</u>	<u>-</u>
Net cash used in investing activities	<u>(3,675,393)</u>	<u>(2,182,714)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	1,331,561	1,023,906
Increase (decrease) in short-term bills payable	500,000	(1,900,000)
Proceeds from issuance of bonds	-	2,994,700
Proceeds from long-term borrowings	1,432,054	2,031,511
Repayments of long-term borrowings	(1,985,321)	(3,344,069)
Proceeds from guarantee deposits received	16,062	901
Repayment of the principal portion of lease liabilities	(48,582)	(50,063)
Dividends paid to owners of the Corporation	(1,237,479)	(1,036,029)
Changes in non-controlling interests	(30,098)	(13,705)
Dividends paid to non-controlling interests	<u>(6,167)</u>	<u>(42,594)</u>
Net cash used in financing activities	<u>(27,970)</u>	<u>(335,442)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>151,778</u>	<u>(183,228)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	291,108	904,994
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>4,952,118</u>	<u>4,047,124</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 5,243,226</u>	<u>\$ 4,952,118</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packaging materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, polyethylene terephthalate (PET) bottles, and beverage filling original equipment manufacturer (OEM) and automatic sealer machines.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission. The Corporation’s shares have been listed on the Taiwan Stock Exchange since March 2, 2001.

The consolidated financial statements of the Corporation and its subsidiaries (collectively referred to as “the Group”) are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors on March 10, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the following IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities (assets) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of financial assets at fair value through other comprehensive income or financial assets at fair value through profit or loss.

See Note 12, Table 7 and Table 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive

income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates operating in other countries or those that use currencies that are different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period; and income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimate accounted for on a prospective basis. Intangible



assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of property, plant and equipment, right-of-use asset and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, trade receivables at amortized cost, notes receivable, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.

- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

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

#### 4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and exchange rate swap contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

#### m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods and accounts receivable are recognized when the goods are delivered to the customer's designated location or when the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

#### n. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

## The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases which are accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

### **o. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **p. Government grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.



Where current taxes or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand and petty cash	\$ 27,311	\$ 23,193
Checking accounts and demand deposits	3,901,210	2,999,563
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>1,314,705</u>	<u>1,929,362</u>
	<u>\$ 5,243,226</u>	<u>\$ 4,952,118</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<b>December 31</b>	
<b>Financial Assets at Fair Value through Profit or Loss - Current</b>	<b>2022</b>	<b>2021</b>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets		
Foreign exchange forward contracts	<u>\$ 3,891</u>	<u>\$ -</u>

(Continued)

Financial Liabilities at Fair Value through Profit or Loss - Current	December 31	
	2022	2021
<u>Financial liabilities mandatorily classified as at FVTPL</u>		
Derivative financial liabilities		
Foreign exchange forward contracts	\$ 1,201	\$ 26
Exchange rate swap contracts	<u>111</u>	<u>-</u>
	<u>\$ 1,312</u>	<u>\$ 26</u> (Concluded)

At the end of the year, outstanding foreign exchange forward contracts and exchange rate swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2022</u>			
Buy	USD/NTD	2023.02.03	USD1,400/TWD42,797
		2023.07.17-	
	USD/RMB	2023.08.29	USD13,000/RMB88,320
	EUR/NTD	2023.01.05	EUR1,167/TWD38,054
<u>December 31, 2021</u>			
Buy	USD/NTD	2022.03.07	USD920/TWD25,462

The Group entered into foreign exchange forward contracts and exchange rate swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2022	2021
<u>Domestic investments</u>		
Unlisted shares	<u>\$ 10,954</u>	<u>\$ 16,249</u>
<u>Foreign investments</u>		
Listed shares	10,103	8,347
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>18,748</u>	<u>16,992</u>
	<u>\$ 29,702</u>	<u>\$ 33,241</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Pledged time deposits	<u>\$ 214,970</u>	<u>\$ -</u>

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES - NET

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>At amortized cost</u>		
Trade receivables from unrelated parties	\$ 4,032,506	\$ 3,496,897
Less: Allowance for impairment loss	<u>(67,555)</u>	<u>(42,362)</u>
	<u>\$ 3,964,951</u>	<u>\$ 3,454,535</u>

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that

have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Group has no notes receivable past due. The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 360 Days Past Due	Over 1 Year Past Due	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2022</u>						
Gross carrying amount	\$ 3,425,477	\$ 475,410	\$ 38,723	\$ 8,693	\$ 84,203	\$ 4,032,506
Loss allowance (Lifetime ECLs)	<u>(347)</u>	<u>(3,818)</u>	<u>(1,191)</u>	<u>(971)</u>	<u>(61,228)</u>	<u>(67,555)</u>
Amortized cost	<u>\$ 3,425,130</u>	<u>\$ 471,592</u>	<u>\$ 37,532</u>	<u>\$ 7,722</u>	<u>\$ 22,975</u>	<u>\$ 3,964,951</u>
<u>December 31, 2021</u>						
Gross carrying amount	\$ 3,056,182	\$ 375,050	\$ 25,416	\$ 8,141	\$ 32,108	\$ 3,496,897
Loss allowance (Lifetime ECLs)	<u>(576)</u>	<u>(3,023)</u>	<u>(3,231)</u>	<u>(3,873)</u>	<u>(31,659)</u>	<u>(42,362)</u>
Amortized cost	<u>\$ 3,055,606</u>	<u>\$ 372,027</u>	<u>\$ 22,185</u>	<u>\$ 4,268</u>	<u>\$ 449</u>	<u>\$ 3,454,535</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 42,362	\$ 44,639
Add: Impairment loss	23,680	2,535
Less: Amounts written off	(9)	-
Foreign exchange gains and losses	<u>1,522</u>	<u>(4,812)</u>
Balance at December 31	<u>\$ 67,555</u>	<u>\$ 42,362</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 1,340,293	\$ 1,062,943
Work in progress	38,609	41,532
Raw materials	1,979,552	1,853,213
Inventory in transit	<u>22,813</u>	<u>33,129</u>
	<u>\$ 3,381,267</u>	<u>\$ 2,990,817</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$19,551,765 thousand and \$16,471,847 thousand, respectively.

The cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$14,105 thousand and \$16,739 thousand, respectively.

## 12. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

Investor	Investee	Main Businesses	% of Ownership	
			December 31	
			2022	2021
The Corporation	Hon Chuan Holding Limited ("Samoa Hon Chuan")	Overseas reinvested holding company	100	100
	Bon Trust International Trade Co., Ltd. ("Bon Trust")	Overseas reinvested holding company and international trade	99.9	99.9
	Hon Chuan (Cambodia) Co., Ltd. ("Hon Chuan Cambodia")	Manufacture and sale of PET bottles	100	100
	Hon Chuan (Philippines) Co., Ltd. ("Hon Chuan Philippines")	Manufacture and sale of plastic caps and PET bottles	100	100
Samoa Hon Chuan	Hon Chuan (China) Holdings Co., Ltd. ("Hon Chuan China")	Overseas reinvested holding company	96.236	96.236
	HC (Asia) Holdings Co., Ltd. ("Hon Chuan Asia")	Overseas reinvested holding company	100	100
	Hon Chuan (Africa) Holdings Co., Ltd. ("Hon Chuan Africa")	Overseas reinvested holding company	100	100
Hon Chuan China	Kai Gang Industries Limited ("Kai Gang")	Overseas reinvested holding company	100	100
	Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	Overseas reinvested holding company	100	100
Hon Chuan Asia	Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")	Manufacture and sale of plastic caps and PET bottles	100	100
	PT Hon Chuan Indonesia ("Hon Chuan Indonesia")	Manufacture and sale of plastic caps, labels and PET bottles and beverage filling OEM services	100	100
	Hon Chuan (Myanmar) Co., Ltd. ("Hon Chuan Myanmar")	Manufacture and sale of plastic caps, PET bottles and LDPE membrane	70	70
	Hon Chuan Vietnam Co., Ltd. ("Hon Chuan Vietnam")	Manufacture and sale of plastic caps and PET bottles	100	100
	Hon Chuan Malaysia Sdn. Bhd. ("Hon Chuan Malaysia")	Manufacture and sale of plastic caps and PET bottles	100	100
	Honly Holding Co., Ltd. ("Samoa Honly")	Overseas reinvested holding company	100	100
	Honly International Co., Ltd. ("Honly")	Overseas reinvested holding company	49	49
	Hon Hua (Samoa) Holdings Limited ("Hon Hua")	Overseas reinvested holding company and international trade	60	60

(Continued)

Investor	Investee	Main Businesses	% of Ownership December 31	
			2022	2021
Kai Gang	Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)	Manufacture and sale of various plastic caps, labels and aluminum closures	100	100
	Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Manufacture and sale of PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	Manufacture and sale of various plastic caps and PET bottles	50.1	100
	Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise Packing (Luohe) Co., Ltd. (“Luohe Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Quzhou) Co., Ltd. (“Quzhou Hon Chuan”)	Manufacture and sale of various plastic caps and PET bottles	100	-
Samoa Hon Hsing	Suzhou Hongxin Food Packing Co., Ltd. (“Suzhou Hongxin”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Enterprise (Changsha) Co., Ltd. (“Changsha Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	100	100
	Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	49.9	-
Hon Chuan Thailand	Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	Manufacture and sale of labels and PET bottles	65	65
Samoa Honly	Honly Food & Beverage Co., Ltd. (“Honly Food”)	Beverage filling	100	100
Suzhou Hongxin	Hon Chuan Food Packing (Anyang) Co., Ltd. (“Anyang Hon Chuan”)	Manufacture and sale of plastic caps	100	100
Hon Chuan Africa	Hon Shi (Samoa) Holdings Limited (“Hon Shi Samoa”)	Overseas reinvested holding company	60	60
Hon Shi Samoa	Shimada International Limitada (“Shimada”)	Manufacture and sale of plastic caps PET bottles and LDPE membrane	100	100
	Hon Shi Mozambique, Limitada (“Hon Shi Mozambique”)	Manufacture and sale of plastic caps	100	100
Hon Hua	Uni Tun Co., Ltd. (Uni Tun)	Bottled water filling	100	100

(Concluded)

The board of directors of the Corporation approved the establishment of Quzhou Hon Chuan in August 2022 and contributed the capital by US\$9,500 thousand in cash in November 2022.

Samoa Hon Hsing increased its shareholding in Chuzhou Hon Chuan by cash in February 2022, the shareholding ratio was 49.9%, and the shareholding ratio of Kai Gang was reduced to 50.1%.

Hon Hua reduced its capital by US\$1,400 thousand in July 2022, and its shareholding ratio remained unchanged after the capital reduction.

Refer to Tables 7 and 8 for information on the nature of business for each subsidiary.

The Corporation has the practical ability to direct the relevant activities of Honly; therefore, the Corporation has control over Honly.

### 13. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Associates</u>		
Unlisted company		
Paean International Co., Ltd (“Paean Company”)	<u>\$ 12,929</u>	<u>\$ 13,849</u>

At the end of the reporting period, the proportions of ownership and voting rights in associates held by the Group were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Name of Associates</u>		
Paean Company	23.08%	23.08%

#### Aggregate information of associates

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The Group’s share of:		
Loss from continuing operations	<u>\$ (2,365)</u>	<u>\$ (1,272)</u>

Refer to Table 7 for the nature of activities, principal place of business and countries of incorporation of the associates.

### 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Effects Of Foreign Currency Exchange Differences</b>	<b>Ending Balance</b>
<u>For the Year Ended</u>						
<u>December 31, 2022</u>						

Cost

Freehold land	\$ 862,754	\$ -	\$ -	\$ -	\$ 22,736	\$ 885,490
Buildings	7,126,594	6,240	(463)	210,368	85,194	7,427,933
Equipment	19,933,253	131,350	(335,331)	1,476,644	275,633	21,481,549
Other equipment	10,446,203	188,443	(105,813)	1,020,344	143,373	11,692,550
Property under construction	<u>876,277</u>	<u>608,475</u>	<u>-</u>	<u>(511,353)</u>	<u>2,453</u>	<u>975,852</u>
	<u>39,245,081</u>	<u>\$ 934,508</u>	<u>\$ (441,607)</u>	<u>\$ 2,196,003</u>	<u>\$ 529,389</u>	<u>42,463,374</u>
Accumulated depreciation						
Buildings	2,505,215	\$ 280,154	\$ (121)	\$ -	\$ 41,749	2,826,997
Equipment	12,858,782	1,197,226	(305,400)	-	186,313	13,936,921
Other equipment	<u>6,683,485</u>	<u>738,986</u>	<u>(94,773)</u>	<u>(1,439)</u>	<u>126,331</u>	<u>7,452,590</u>
	<u>22,047,482</u>	<u>\$ 2,216,366</u>	<u>\$ (400,294)</u>	<u>\$ (1,439)</u>	<u>\$ 354,393</u>	<u>24,216,508</u>
Accumulated impairment						
Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment	-	521	-	-	24	545
Other equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24</u>	<u>545</u>
	<u>\$17,197,599</u>					<u>\$18,246,321</u>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Effects Of Foreign Currency Exchange Differences</b>	<b>Ending Balance</b>
<u>For the Year Ended</u>						
<u>December 31, 2021</u>						
Cost						
Freehold land	\$ 763,301	\$ 125,000	\$ -	\$ -	\$ (25,547)	\$ 862,754
Buildings	6,872,924	59,580	-	315,478	(121,388)	7,126,594
Equipment	21,337,797	180,527	(483,754)	(743,250)	(358,067)	19,933,253
Other equipment	8,065,093	235,504	(385,253)	2,741,233	(210,374)	10,446,203
Property under construction	<u>636,638</u>	<u>600,168</u>	<u>-</u>	<u>(338,045)</u>	<u>(22,484)</u>	<u>876,277</u>
	<u>37,675,753</u>	<u>\$ 1,200,779</u>	<u>\$ (869,007)</u>	<u>\$ 1,975,416</u>	<u>\$ (737,860)</u>	<u>39,245,081</u>
Accumulated depreciation						
Buildings	2,283,833	\$ 266,335	\$ -	\$ -	\$ (44,953)	2,505,215
Equipment	13,547,969	1,207,369	(438,534)	(1,233,057)	(224,965)	12,858,782
Other equipment	<u>5,189,165</u>	<u>706,079</u>	<u>(345,419)</u>	<u>1,268,816</u>	<u>(135,156)</u>	<u>6,683,485</u>
	<u>21,020,967</u>	<u>\$ 2,179,783</u>	<u>\$ (783,953)</u>	<u>\$ 35,759</u>	<u>\$ (405,074)</u>	<u>22,047,482</u>
	<u>\$16,654,786</u>					<u>\$17,197,599</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	10-60 years
Electrical power equipment	4-50 years
Other	4-50 years
Machinery equipment	3-22 years
Other equipment	2-25 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 29.



## 15. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 1,108,603	\$ 1,058,500
Buildings	77,294	110,044
Other equipment	<u>1,195</u>	<u>1,372</u>
	<u>\$ 1,187,092</u>	<u>\$ 1,169,916</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 74,452</u>	<u>\$ 48,935</u>
Depreciation charge for right-of-use assets		
Land	\$ 33,207	\$ 26,943
Buildings	34,418	37,747
Other equipment	<u>963</u>	<u>931</u>
	<u>\$ 68,588</u>	<u>\$ 65,621</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 45,081</u>	<u>\$ 46,548</u>
Non-current	<u>\$ 446,287</u>	<u>\$ 419,258</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.18%-5.95%	1.18%
Buildings	3.83%	3.83%
Other equipment	3.83%	3.83%

### c. Material leasing activities and terms

The Group leases land for the use of plants, office spaces and warehouses with lease terms of 10 years from the Export Processing Zone Administration, MOEA of the ROC. Based on the

lease, the variable lease payments are dependent on the Taiwan consumer price index of the year before the lease. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	<u>\$ 104,013</u>	<u>\$ 82,870</u>
Total cash outflow for leases	<u>\$ (160,094)</u>	<u>\$ (141,816)</u>

The Group leases certain buildings, office equipment and transportation equipment qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 16. OTHER ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Office supplies	\$ 748,411	\$ 645,001
Prepaid expenses and prepayment for purchases	455,870	347,723
Refundable deposits	62,074	58,090
Other receivables	25,048	28,409
Restricted assets (Note 29)	13,371	13,342
Others	<u>198,627</u>	<u>218,075</u>
	<u>\$ 1,503,401</u>	<u>\$ 1,310,640</u>
Current	\$ 1,428,863	\$ 1,235,009
Non-current	<u>74,538</u>	<u>75,631</u>
	<u>\$ 1,503,401</u>	<u>\$ 1,310,640</u>

The movements of the loss allowance of other receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 30,441	\$ 13,820
Add: Impairment loss	-	16,651
Foreign exchange losses	<u>1,921</u>	<u>(30)</u>
Balance at December 31	<u>\$ 32,362</u>	<u>\$ 30,441</u>

Restricted assets pledged as collateral for bank borrowings were set out in Note 29.

## 17. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings</u>		
Secured loans	\$ 168,000	\$ -
<u>Unsecured borrowings</u>		
Line of credit borrowings	3,829,149	2,617,521
Loans for purchasing raw materials	<u>6,024</u>	<u>-</u>
	<u>\$ 4,003,173</u>	<u>\$ 2,617,521</u>
<u>Rate of interest per annum (%)</u>		
Secured loans	1.30-1.40	-
Line of credit borrowings	1.00-4.71	0.55-1.20
Loans for purchasing raw materials	1.67	-

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Commercial paper	<u>\$ 1,700,000</u>	<u>\$ 1,200,000</u>
<u>Rate of interest per annum (%)</u>		
Commercial paper	1.46-1.60	0.56-0.58

### c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Line of credit borrowings	\$ 4,380,304	\$ 4,937,638
Less: Current portion	(1,419,557)	(955,744)
Discounts on government grants (Note 25)	(34,861)	(52,581)
Bill of credit borrowings	<u>1,000,000</u>	<u>1,000,000</u>
Long-term borrowings	<u>\$ 3,925,886</u>	<u>\$ 4,929,313</u>
<u>Rate of interest per annum (%)</u>		

Line of credit borrowings	0.47-6.06	0.10-1.02
Bill of credit borrowings	0.708	0.708

## 18. BONDS PAYABLE

	December 31	
	2022	2021
Unsecured domestic bonds	\$ 6,000,000	\$ 6,000,000
Less: Bonds discount	(4,521)	(6,687)
Current portion	<u>(2,999,633)</u>	<u>-</u>
	<u>\$ 2,995,846</u>	<u>\$ 5,993,313</u>

On November 26, 2021, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 0.75% and an effective interest rate of 0.7862%. The principal is repayable in cash upon maturity (November 26, 2026).

On April 27, 2018, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 1.07% and an effective interest rate of 1.1079%. The principal is repayable in cash upon maturity (April 27, 2023).

## 19. OTHER LIABILITIES

	December 31	
	2022	2021
Payables for purchases of equipment	\$ 383,214	\$ 285,856
Payables for salaries	358,008	337,470
Advance receipts	162,105	117,826
Payables for bonus to employees	44,546	37,513
Payables for annual leave	28,466	27,096
Payables for remuneration of directors	19,414	17,294
Others	<u>765,821</u>	<u>567,371</u>
	<u>\$ 1,761,574</u>	<u>\$ 1,390,426</u>

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiaries in China, Vietnam and Malaysia are members of state-managed retirement benefit plans operated by their respective governments. Each subsidiary is required to contribute a specified percentage of payroll costs to the retirement

benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

Hon Chuan Indonesia, Hon Chuan Thailand and Hon Fu Thailand also adopted the defined benefit plan in accordance with their local regulations.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 169,309	\$ 169,029
Fair value of plan assets	<u>(151,887)</u>	<u>(133,418)</u>
Net defined benefit liabilities	<u>\$ 17,422</u>	<u>\$ 35,611</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2021	\$ <u>138,480</u>	\$ <u>(124,484)</u>	\$ <u>13,996</u>
Service cost			
Current service cost	4,564	-	4,564
Gain on settlement	(4,377)	-	(4,377)
Net interest expense (income)	<u>1,903</u>	<u>(456)</u>	<u>1,447</u>
Recognized in profit or loss	<u>2,090</u>	<u>(456)</u>	<u>1,634</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,764)	(1,764)
Actuarial loss - changes in demographic assumptions	5,272	-	5,272

Actuarial loss - changes in financial assumptions	(4,015)	-	(4,015)
Actuarial loss - experience adjustments	<u>1,055</u>	<u>-</u>	<u>1,055</u>
Recognized in other comprehensive income	<u>2,312</u>	<u>(1,764)</u>	<u>548</u>
Contributions from the employer	-	(13,117)	(13,117)
Benefits paid	(6,403)	6,403	-
Reclassified amount	35,217	-	35,217
Exchange differences on foreign plans	<u>(2,667)</u>	<u>-</u>	<u>(2,667)</u>
Balance at December 31, 2021	<u>\$ 169,029</u>	<u>\$ (133,418)</u>	<u>\$ 35,611</u>

(Continued)(Concluded)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Service cost			
Current service cost	\$ 6,277	\$ -	\$ 6,277
Gain on settlement	(7,104)	-	(7,104)
Net interest expense (income)	<u>2,026</u>	<u>(1,047)</u>	<u>979</u>
Recognized in profit or loss	<u>1,199</u>	<u>(1,047)</u>	<u>152</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,009)	(10,009)
Actuarial gain - changes in financial assumptions	(4,436)	-	(4,436)
Actuarial loss - experience adjustments	<u>7,742</u>	<u>-</u>	<u>7,742</u>
Recognized in other comprehensive income	<u>3,306</u>	<u>(10,009)</u>	<u>(6,703)</u>
Contributions from the employer	-	(12,898)	(12,898)
Benefits paid	(5,485)	5,485	-
Exchange differences on foreign plans	<u>1,260</u>	<u>-</u>	<u>1,260</u>
Balance at December 31, 2022	<u>\$ 169,309</u>	<u>\$ (151,887)</u>	<u>\$ 17,422</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)		
The Corporation	1.40%	0.75%
Hon Chuan Indonesia	7.44%	7.14%
Hon Chuan Thailand	1.77%	1.77%
Hon Fu Thailand	2.96%	1.71%
		(Continued)

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected rate(s) of salary increase		
The Corporation	1.125%	1.125%
Hon Chuan Indonesia	8%	8%
Hon Chuan Thailand	4%	4%
Hon Fu Thailand	4%	3%
		(Concluded)

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>The Corporation</u>		
Discount rate		
0.25% increase	\$ (2,128)	\$ (2,351)
0.25% decrease	\$ 2,186	\$ 2,420
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,119	\$ 2,331
0.25% decrease	\$ (2,073)	\$ (2,276)
<u>Hon Chuan Indonesia</u>		
Discount rate		
0.25% increase	\$ (791)	\$ (547)
0.25% decrease	\$ 9	\$ 668
Expected rate of salary increase/decrease		
0.25% increase	\$ 9	\$ 654
0.25% decrease	\$ (791)	\$ (546)
<u>Hon Chuan Thailand</u>		

Discount rate		
0.25% increase	\$ (500)	\$ (485)
0.25% decrease	\$ 585	\$ 572
Expected rate of salary increase/decrease		
0.25% increase	\$ 615	\$ 555
0.25% decrease	\$ (528)	\$ (477)

#### Hon Fu Thailand

Discount rate		
0.25% increase	\$ (81)	\$ (79)
0.25% decrease	\$ 93	\$ 90
Expected rate of salary increase/decrease		
0.25% increase	\$ 91	\$ 98
0.25% decrease	\$ (81)	\$ (86)

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	\$ 13,432	\$ 12,439
Average duration of the defined benefit obligation		
The Corporation	8 years	9 years
Hon Chuan Indonesia	22 years	22 years
Hon Chuan Thailand	17 years	17 years
Hon Fu Thailand	12 years	15 years

## **21. EQUITY**

### a. Share capital

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Shares authorized (in thousands of shares)	350,000	350,000
Shares authorized	\$ 3,500,000	\$ 3,500,000
Shares issued and fully paid (in thousands of shares)	287,786	287,786
Shares issued	\$ 2,877,859	\$ 2,877,859

### b. Capital surplus



	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,841,447
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	353,848
Other (2)	<u>200,277</u>	<u>200,277</u>
	<u>\$ 5,395,572</u>	<u>\$ 5,395,572</u>

1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital and to once a year).

2) Such capital surplus may be used to offset a deficit.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit after tax in a fiscal year, the profit shall be first utilized for offsetting cumulative losses, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to compensation of employees and remuneration of directors in Note 22-d.

The dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholder's meeting.

The dividends policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders' dividends shall be distributed in the form of cash dividends or share dividends. More than (or equal to) 50% of the total amount of shareholders' dividends shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of cash dividends per share for 2021 and 2020 were as follows:

	<b>Appropriation of Earnings For the Year Ended December 31</b>		<b>Dividends Per Share (NT\$) For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Legal reserve	\$ 196,428	\$ 151,030		
Special reserve	544,040	356,137		
Cash dividends	1,237,479	1,036,029	\$4.30	\$3.60

The appropriation of earnings as cash dividends has been resolved by the Corporation's board of directors on March 22, 2022 and March 23, 2021, the other proposed appropriations will be resolved by the shareholders in their meeting on June 17, 2022 and July 16, 2021.

The appropriation of earnings 2022, which was proposed/resolved by the Corporation's board of directors on March 10, 2023, was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
<u>Proposed</u>		
Legal reserve	\$ 222,057	
Reversal of special reserve	467,714	
<u>Resolved</u>		
Cash dividends	1,381,372	\$ 4.80

The appropriation of earnings as cash dividends as listed above had been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 31, 2023.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time

adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

## 22. NET PROFIT FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations includes the following items:

a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on disposal of property, plant and equipment	\$ (29,688)	\$ (54,683)
Gain (loss) on valuation of financial assets and liabilities at FVTPL	28,200	(28,768)
Loss recognized on associates accounted for using the equity method	(2,365)	(1,272)
Miscellaneous expense	(6,837)	(30,853)
Miscellaneous income	<u>131,115</u>	<u>105,625</u>
	<u>\$ 120,425</u>	<u>\$ (9,951)</u>

b. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 94,306	\$ 74,675
Interest on convertible bonds	56,765	35,492
Interest on lease liabilities	7,499	8,883
Other finance costs (Note 25)	<u>22,210</u>	<u>19,133</u>
	<u>\$ 180,780</u>	<u>\$ 138,183</u>

c. Employee benefits expense, depreciation and amortization expenses

	<b>For the Year Ended December 31</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expense						
Payroll expense	\$ 1,544,436	\$ 609,324	\$ 2,153,760	\$ 1,445,915	\$ 564,123	\$ 2,010,038
Labor and health insurance expense	79,263	72,181	151,444	76,500	65,628	142,128
Pension expense	31,656	67,745	99,401	30,727	60,248	90,975
Other employee benefits expense	20,265	55,559	75,824	15,995	36,080	52,075
Remuneration of directors	-	19,414	19,414	-	17,294	17,294
Depreciation expenses	2,055,285	229,669	2,284,954	2,025,106	220,298	2,245,404
Amortization expenses	20,906	6,822	27,728	39,098	5,222	44,320

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on March 10, 2023 and March 22, 2022, respectively, were as follows:

	For the Year Ended December 31			
	2022		2021	
	%	Cash	%	Cash
Compensation of employees	1.80%	\$ 44,457	1.70%	\$ 37,433
Remuneration of directors	0.79%	19,414	0.79%	17,294

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 23. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	\$ 566,076	\$ 696,461
Adjustments for prior year	<u>5,690</u>	<u>5,191</u>
	<u>571,766</u>	<u>701,652</u>
Deferred tax		
In respect of the current year	(3,572)	(25,037)
Adjustments for prior year	(281)	-
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(4,737)</u>	<u>-</u>
	<u>(8,590)</u>	<u>(25,037)</u>
Income tax expense recognized in profit or loss	<u>\$ 563,176</u>	<u>\$ 676,615</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense calculated at the statutory rate	\$ 891,933	\$ 886,228
Nondeductible expenses in determining taxable income	11,563	9,626
Tax-exempt income	(24,155)	(16,631)
Additional income tax under the Alternative Minimum Tax Act	-	85
Unrecognized loss carryforwards	-	14,781
Unrecognized deductible temporary differences	(301,377)	(274,275)
Effect of tax rate changes	(4,737)	-
Deductible items in determining taxable income	(15,460)	(58)
Income tax on repatriated funds	-	51,668
Adjustments for prior years' tax	<u>5,409</u>	<u>5,191</u>
Income tax expense recognized in profit or loss	<u>\$ 563,176</u>	<u>\$ 676,615</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax		
In respect of current year		
- Remeasurement of defined benefit plans	<u>\$ (1,270)</u>	<u>\$ 100</u>

c. Deferred tax assets and liabilities

	<b>For the Year Ended December 31, 2022</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Exchange Difference</b>	<b>Closing Balance</b>
<u>Deferred Tax Assets</u>					
Temporary differences					
Tax losses	\$ 195,932	\$ 23,710	\$ -	\$ 2,959	\$ 222,601
Defined benefit obligation	4,257	(1,096)	776	(56)	3,881
Allowance for impairment loss of write-down of inventories	10,337	1,672	-	32	12,041
Others	<u>30,795</u>	<u>(834)</u>	<u>-</u>	<u>(257)</u>	<u>29,704</u>
	<u>\$ 241,321</u>	<u>\$ 23,452</u>	<u>\$ 776</u>	<u>\$ 2,678</u>	<u>\$ 268,227</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ -	\$ 24,283
Defined benefit obligation	-	1,819	2,046	-	3,865
Others	<u>52,275</u>	<u>13,043</u>	<u>-</u>	<u>2,195</u>	<u>67,513</u>

For the Year Ended December 31, 2022					
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
	\$ 76,558	\$ 14,862	\$ 2,046	\$ 2,195	\$ 95,661
For the Year Ended December 31, 2021					
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Tax losses	\$ 180,020	\$ 16,759	\$ -	\$ (847)	\$ 195,932
Defined benefit obligation	6,586	(2,374)	100	(55)	4,257
Allowance for impairment loss of write-down of inventories	8,066	2,336	-	(65)	10,337
Others	21,436	10,138	-	(779)	30,795
	<u>\$ 216,108</u>	<u>\$ 26,859</u>	<u>\$ 100</u>	<u>\$ (1,746)</u>	<u>\$ 241,321</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ -	\$ 24,283
Others	53,061	1,822	-	(2,608)	52,275
	<u>\$ 77,344</u>	<u>\$ 1,822</u>	<u>\$ -</u>	<u>\$ (2,608)</u>	<u>\$ 76,558</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,092,277 thousand and \$703,935 thousand, respectively.

- e. Information about unused loss carryforwards and tax-exemptions

Investee	Unused Amount	Expiry Year
Suzhou Hongxin	\$ 669,533	2024-2027
Suzhou Hon Chuan	79,988	2025-2027
Zhangzhou Hon Chuan	<u>51,388</u>	2023-2025
	<u>\$ 800,909</u>	

As of December 31, 2022, under the local regulations of Suzhou Hon Chuan, Suzhou Hongxin and Zhangzhou Hon Chuan, their loss carryforwards may offset against future taxable income.

- f. Income tax assessments

Income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

## 24. EARNINGS PER SHARE

	Net Profit Attributable to Owners of the Corporation	Number of Shares (In Thousands)	Earnings Per Share (NT\$)
<u>For the year ended December 31, 2022</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 2,215,138	287,786	<u>\$ 7.70</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>618</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 2,215,138</u>	<u>288,404</u>	<u>\$ 7.68</u>
<u>For the year ended December 31, 2021</u>			
Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,964,731	287,786	<u>\$ 6.83</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>632</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,964,731</u>	<u>288,418</u>	<u>\$ 6.81</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. GOVERNMENT GRANTS

Except as disclosed in other notes, the following government grants were received by the Group:

As of December 31, 2022, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$3,269,055 thousand from the National Development Fund with a preferential interest rate for its operation and purchase of equipment. The loan is expected to be settled within 5 to 7 years in

equal installments. Using the prevailing market interest rates of 0.85%-1.97% for an equivalent loan, the fair value of the loan was estimated at \$3,180,194 thousand on initial recognition. The difference of \$88,861 thousand between the proceeds and the fair value of the loan is viewed as a government grants derived from an interest-free loan and is recognized as deferred revenue, which will be subsequently transferred to profit or loss over time. For the year ended December 31, 2022 and 2021, the amount recognized in other revenue was \$15,530 thousand and \$13,048 thousand, respectively, and interest expense recognized on this loan was \$22,210 thousand and \$19,133 thousand, respectively.

If the Corporation fails to comply the loan regulations, and the National Development Fund terminates the grants, the Corporation will pay the loan with the original agreed interest rate plus the annual interest rate.

Jinan Hon Chuan, Qingxin Hon Chuan, and Chuzhou Hon Chuan acquired land use rights, invested in equipment, and constructed electronic projects, respectively, and received a government grant of RMB 6,028 thousand in total. The amount was recognized as deferred revenue and was subsequently transferred to profit or loss over the useful lives of the related assets.

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at FVTPL				
Foreign exchange forward contracts	\$ -	\$ 3,891	\$ -	\$ 3,891



Financial liabilities at FVTPL

Foreign exchange forward contracts	\$ -	\$ 1,201	\$ -	\$ 1,201
Exchange rate swap contracts	-	111	-	111
	<u>\$ -</u>	<u>\$ 1,312</u>	<u>\$ -</u>	<u>\$ 1,312</u>

Financial assets at FVTOCI

Equity instruments				
Foreign listed shares	\$ 10,103	\$ -	\$ -	\$ 10,103
Unlisted shares	-	-	19,599	19,599
	<u>\$ 10,103</u>	<u>\$ -</u>	<u>\$ 19,599</u>	<u>\$ 29,702</u>

December 31, 2021

Financial liabilities at FVTPL

Foreign exchange forward contracts	\$ -	\$ 26	\$ -	\$ 26
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Financial assets at FVTOCI

Equity instruments				
Foreign listed shares	\$ 8,347	\$ -	\$ -	\$ 8,347
Unlisted shares	-	-	24,984	24,984
	<u>\$ 8,347</u>	<u>\$ -</u>	<u>\$ 24,984</u>	<u>\$ 33,241</u>

There were no transfers between Level 1 and 2 in the current and prior years.

2) Valuation techniques and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard terms and conditions that are traded in an active market, including listed shares and emerging market shares, is determined based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

- c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 24,894	\$ 27,897
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(1,295)	(3,003)
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>-</u>
Balance at December 31	<u>\$ 19,599</u>	<u>\$ 24,894</u>

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 3,891	\$ -
Financial assets at amortized cost		
Cash and cash equivalents	5,243,226	4,952,118
Financial assets at amortized cost - current	214,970	-
Notes receivable and trade receivables	4,141,066	3,724,929
Financial assets at fair value through other comprehensive income - equity investments	29,702	33,241
Other receivables	25,048	28,409
Refundable deposits	62,074	58,090
<u>Financial liabilities</u>		
Held for trading at FVTPL	1,312	26
Amortized cost		
Short-term borrowings	4,003,173	2,617,521
Short-term bills payable	1,700,000	1,200,000
Notes payable and trade payables	1,237,449	1,087,509
Bonds payable (including current portion)	5,995,479	5,993,313
Long-term borrowings (including current portion)	5,345,443	5,885,057
Other payables	1,149,035	853,227

Guarantee deposits received	49,497	32,882
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c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and bonds payable. The Group's corporate treasury function identifies and assesses the risks and manages market uncertainties with the objective of reducing the potentially adverse effects that market fluctuations may have on its financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Group's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group is mainly exposed to the USD and EUR.

The Group's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the NTD against the USD, the pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$4,640 thousand and \$5,473 thousand, respectively. Assuming a 1% strengthening in the

NTD against the EUR, the pre-tax profit for the years ended December 31, 2022 and 2021 would have increased by \$2,024 thousand and \$1,324 thousand, respectively.

#### Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 1,529,675	\$ 1,929,362
Financial liabilities	8,186,847	7,659,119
Cash flow interest rate risk		
Financial assets	3,782,223	2,779,481
Financial liabilities	9,348,616	8,502,578

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease by \$6,958 thousand and \$7,154 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, is arising from:

- a) The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets; and

- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Group's concentrations of credit risk regarding top 5 customers were 35% and 25%, respectively, in total trade receivables as of December 31, 2022 and 2021. No other concentration of credit risk was observed.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Corporation had available unutilized short-term bank loan facilities of \$17,233,991 thousand and \$16,172,000 thousand, respectively.

The following table has been drawn up based on the undiscounted cash flows of financial liabilities from the due date.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>December 31, 2022</u>			
Non-derivative financial liabilities			
Borrowings	\$ 5,422,730	\$ 3,925,886	\$ -
Short-term bills payable	1,700,000	-	-
Non-interest bearing liabilities	1,237,449	-	-
Bonds payable	2,999,633	2,995,846	-
Lease liabilities	<u>55,269</u>	<u>155,814</u>	<u>391,420</u>
	<u>\$11,415,081</u>	<u>\$ 7,077,546</u>	<u>\$ 391,420</u>
Derivative financial liabilities			
Foreign exchange forward contracts	\$ 1,201	\$ -	\$ -
Exchange rate swap contracts	<u>111</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,312</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Borrowings	\$ 3,573,265	\$ 4,929,313	\$ -
Short-term bills payable	1,200,000	-	-
Non-interest bearing liabilities	1,087,509	-	-
Bonds payable	-	5,993,313	-
Lease liabilities	<u>53,971</u>	<u>166,410</u>	<u>314,739</u>

	<u>\$ 5,914,745</u>	<u>\$11,089,036</u>	<u>\$ 314,739</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
<u>December 31, 2022</u>						
Lease liabilities	<u>\$ 55,269</u>	<u>\$ 155,814</u>	<u>\$ 99,236</u>	<u>\$ 89,495</u>	<u>\$ 84,950</u>	<u>\$ 117,739</u>
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 53,971</u>	<u>\$ 166,410</u>	<u>\$ 72,956</u>	<u>\$ 56,383</u>	<u>\$ 56,384</u>	<u>\$ 129,016</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as follows.

### a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Food and Drinks Public Company Limited	Others

### b. Sales of goods

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Net sales		
Others	<u>\$ 9,803</u>	<u>\$ 8,787</u>
Rental expenses (recorded under manufacturing or operation expenses)		
Others	<u>\$ 3,305</u>	<u>\$ 3,409</u>

The price of sales to related parties and collection terms approximated those for third parties.

The Corporation has leased warehouse from related parties. The rent is based on the rates of neighboring properties and paid monthly.

<u>December 31</u>	
<u>2022</u>	<u>2021</u>

Trade receivables		
Others	\$ 1,807	\$ 2,773
Other payables (recognized as other current liabilities)		
Others	\$ 298	\$ 278

c. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 93,475	\$ 74,784
Post-employment benefits	<u>103</u>	<u>157</u>
	<u>\$ 93,578</u>	<u>\$ 74,941</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Property, plant and equipment	\$ 176,565	\$ 183,780
Restricted assets (recognized as other current assets)	13,371	13,342
Pledged deposits (classified as financial assets at amortized cost)	<u>214,970</u>	<u>-</u>
	<u>\$ 404,906</u>	<u>\$ 197,122</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at December 31, 2022 and 2021 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$170,676 thousand and \$298,464 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Acquisition of property, plant and equipment	<u>\$ 1,557,263</u>	<u>\$ 1,467,147</u>

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group, and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

		December 31					
		2022			2021		
		Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>							
USD	\$	44,493	30.71	\$ 1,366,380	\$ 38,248	27.68	\$ 1,058,705
EUR		446	32.72	14,593	603	31.32	18,886
<u>Financial liabilities of monetary items</u>							
USD		29,384	30.71	902,383	18,474	27.68	511,360
EUR		6,632	32.72	216,999	4,831	31.32	151,307

For the years ended December 31, 2022 and 2021, realized and unrealized foreign exchange gains (losses) were \$46,619 thousand and \$(27,062) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) on each significant foreign currency there were many foreign currency transactions and the Group entities had different functional currencies.

### 32. OTHER ITEMS

Environmental Protection Bureau of Taichung City Government (“Environmental Protection Bureau”), Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), and Taichung District Prosecutors Office (“Taichung Prosecutors Office”) collectively inspected the label factories of the Corporation and discovered that the air pollution control equipment was not functioning properly. As a result, Environmental Protection Bureau issued Letter No. 1070126655 with fine notifications No. 20-107-110002 and No. 20-107-110003 which amounted to \$20,200 thousand fine. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the current year. The Corporation appointed a lawyer to appeal for an administrative remedy. This case was denied by the Supreme Administrative Court on November 25, 2021, and the case was concluded.

Because of the abovementioned event, Environmental Protection Bureau issued Letter No. 1080045552 on May 2, 2019 for the air pollution charge of \$125,869 thousand from the third quarter of 2013 through the second quarter of 2018. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the first half of 2019. The Corporation appointed a lawyer to appeal to Taichung High Administrative Court for administrative litigation. This case was denied by the Supreme Administrative Court on November 17, 2022, and the case was concluded. The investigation of the case was closed by the Taichung District Prosecutors Office on September 20, 2019. In addition to ordering the Corporation to pay the unlawful income of \$77,299 thousand, which was the air pollution charge from the fourth



quarter of 2010 through the second quarter of 2018, the prosecutors charged 19 persons, including the Corporation, for indictable offense due to violation of Air Pollution Control Act. The case underwent a trial in the Taichung District Court. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in 2019. The Taichung District Court ruled that the Corporation and the related defendants were guilty and the Corporation was fined \$23,500 thousand in June 22, 2022. The Corporation and its president, Hung-Chuan Dai, general manager, Hsih-Chung Tsao, and employee, Kun-Yu Tsai, have filed appeals within the legal period, and the rest of the verdict has been confirmed.

### **33. SEPARATELY DISCLOSED ITEMS**

#### **a. Information on significant transactions and investees:**

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

#### **b. Information on investments in mainland China**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
  - The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
  - The amount of property transactions and the amount of the resultant gains or losses. (None)
  - The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
  - The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
  - Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: (None).

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Domestic - Manufacture and sale in Taiwan.
- Foreign - Manufacture and sale in countries other than Taiwan.

#### a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2022</u>				
Revenue from external customers	\$ 9,065,714	\$ 15,630,594	\$ -	\$ 24,696,308
Inter-segment revenue	<u>59,963</u>	<u>35,456</u>	<u>(95,419)</u>	<u>-</u>
Segment revenue	<u>\$ 9,125,677</u>	<u>\$ 15,666,050</u>	<u>\$ (95,419)</u>	<u>\$ 24,696,308</u>
Segment income	<u>\$ 922,986</u>	<u>\$ 1,876,557</u>		<u>\$ 2,799,543</u>

	Domestic	Foreign Subsidiaries	Adjustment and Elimination	Total
<u>For the Year ended December 31, 2022</u>				
Other gains and losses				120,425
Financial costs				(180,780)
Interest income				54,553
Foreign exchange gain				<u>46,619</u>
Profit before tax				<u>\$ 2,840,360</u>
<u>For the Year ended December 31, 2021</u>				
Revenue from external customers	\$ 8,389,771	\$ 12,992,763	\$ -	\$ 21,382,534
Inter-segment revenue	<u>76,665</u>	<u>130,093</u>	<u>(206,758)</u>	<u>-</u>
Segment revenue	<u>\$ 8,466,436</u>	<u>\$ 13,122,856</u>	<u>\$ (206,758)</u>	<u>\$ 21,382,534</u>
Segment income	<u>\$ 1,001,199</u>	<u>\$ 1,826,773</u>		<u>\$ 2,827,972</u>
Other gains and losses				(9,951)
Financial costs				(138,183)
Interest income				52,197
Foreign exchange loss				<u>(27,062)</u>
Profit before tax				<u>\$ 2,704,973</u>

Inter-segment revenue was accounted for based on market prices.

Segment profit represented the profit before tax earned by each segment without other gains and losses, financial costs, interest income, exchange gains or losses and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

- b. The Group had not reported segment assets and liabilities information to the chief operating decision maker. Thus, no disclosure is made.
- c. Revenue from major products and services

The following is an analysis of the Corporation's revenue from continuing operations from its major products and services:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Packaging materials	\$15,674,701	\$14,077,765
Beverages (included bottle filling and OEM)	7,972,153	6,392,625
Others	<u>1,049,454</u>	<u>912,144</u>
	<u>\$24,696,308</u>	<u>\$21,382,534</u>

- d. Geographical information

The Corporation operates in three principal geographical areas - Taiwan, China and Southeast Asia.

The Corporation's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Taiwan	\$ 9,065,714	\$ 8,389,771	\$ 7,279,579	\$ 6,904,113
China	7,326,137	6,960,501	7,355,992	6,522,651
Southeast Asia	8,141,615	5,859,611	6,887,061	6,584,176
Others	<u>162,842</u>	<u>172,651</u>	<u>371,050</u>	<u>341,793</u>
	<u>\$ 24,696,308</u>	<u>\$ 21,382,534</u>	<u>\$ 21,893,682</u>	<u>\$ 20,352,733</u>

Non-current assets exclude financial instruments, deferred tax assets, and net defined benefit assets.

e. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both 2022 and 2021.

TABLE 1

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHER  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
0	The Corporation	Shimada	Other receivable - related parties	Yes	\$ 1,945 (US\$ 63)	\$ 1,945 (US\$ 63)	\$ 1,945 (US\$ 63)	-	Business transaction	\$ 4,076 (US\$ 133)	Business transaction	\$ -	-	\$ -	\$ 4,076	\$ 6,060,633
		Hon Shi Mozambique	Other receivable - related parties	Yes	677 (US\$ 22)	648 (US\$ 21)	648 (US\$ 21)	-	Business transaction	677 (US\$ 22)	Business transaction	-	-	-	677	6,060,633
1	Samoa Hon Chuan	Hon Chuan Cambodia	Receivable from related parties	Yes	18,426 (US\$ 600)	18,426 (US\$ 600)	18,426 (US\$ 600)	1.15%-6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Hon Chuan China	Receivable from related parties	Yes	3,151,460 (US\$ 102,620)	3,151,460 (US\$ 102,620)	3,151,460 (US\$ 102,620)	1.15%-6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Shimada	Other receivable - related parties	Yes	6,256 (US\$ 204)	6,256 (US\$ 204)	6,256 (US\$ 204)	-	Business transaction	8,074 (US\$ 263)	Business transaction	-	-	-	8,074	8,385,363
		Hon Shi Mozambique	Other receivable - related parties	Yes	1,437 (US\$ 47)	1,437 (US\$ 47)	1,437 (US\$ 47)	-	Business transaction	6,491 (US\$ 211)	Business transaction	-	-	-	6,491	8,385,363
		Honly Food	Receivable from related parties	Yes	4,299 (US\$ 140)	-	-	1.51%-2.30%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Hon Chuan Vietnam	Receivable from related parties	Yes	122,840 (US\$ 4,000)	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	1.15%-6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
2	Kai Gang	Hon Chuan China	Receivable from related parties	Yes	92,130 (US\$ 3,000)	-	-	1.15%-6.53%	Short-term financing	-	Operating Capital	-	-	-	2,304,647	2,304,647
3	Samoa Hon Hsing	Hon Chuan China	Receivable from related parties	Yes	399,230 (US\$ 13,000)	-	-	1.15%-1.85%	Short-term financing	-	Operating Capital	-	-	-	1,909,497	1,909,497
4	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	88,189 (RMB 20,000)	68,346 (RMB 15,500)	68,346 (RMB 15,500)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Luohe Hon Chuan	Receivable from related parties	Yes	44,976 (RMB 10,200)	-	-	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Qingxin Hon Chuan	Receivable from related parties	Yes	44,094 (RMB 10,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Suzhou Hongxin	Receivable from related parties	Yes	37,480 (RMB 8,500)	30,866 (RMB 7,000)	30,866 (RMB 7,000)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	39,685 (RMB 9,000)	39,685 (RMB 9,000)	39,685 (RMB 9,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
5	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	162,267 (RMB 36,800)	83,779 (RMB 19,000)	83,779 (RMB 19,000)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Luohe Hon Chuan	Receivable from related parties	Yes	37,480 (RMB 8,500)	15,433 (RMB 3,500)	15,433 (RMB 3,500)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Qingxin Hon Chuan	Receivable from related parties	Yes	163,149 (RMB 37,000)	88,189 (RMB 20,000)	88,189 (RMB 20,000)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Suzhou Hongxin	Receivable from related parties	Yes	11,024 (RMB 2,500)	-	-	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	70,551 (RMB 16,000)	70,551 (RMB 16,000)	70,551 (RMB 16,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
6	Jinan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	\$ 235,905 (RMB 53,500)	\$ 125,669 (RMB 28,500)	\$ 125,669 (RMB 28,500)	2.50%- 2.80%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 657,183	\$ 657,183
		Xiantao Hon Chuan	Receivable from related parties	Yes	8,819 (RMB 2,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Luohe Hon Chuan	Receivable from related parties	Yes	111,118 (RMB 25,200)	22,929 (RMB 5,200)	22,929 (RMB 5,200)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Qingxin Hon Chuan	Receivable from related parties	Yes	176,378 (RMB 40,000)	176,378 (RMB 40,000)	176,378 (RMB 40,000)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	17,638 (RMB 4,000)	17,638 (RMB 4,000)	17,638 (RMB 4,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
7	Taiyuan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	178,582 (RMB 40,500)	31,748 (RMB 7,200)	31,748 (RMB 7,200)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Luohe Hon Chuan	Receivable from related parties	Yes	119,937 (RMB 27,200)	83,779 (RMB 19,000)	83,779 (RMB 19,000)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	13,228 (RMB 3,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Qingxin Hon Chuan	Receivable from related parties	Yes	30,866 (RMB 7,000)	-	-	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
8	Zhangzhou Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	13,228 (RMB 3,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
		Chuzhou Hon Chuan	Receivable from related parties	Yes	85,984 (RMB 19,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
		Luohe Hon Chuan	Receivable from related parties	Yes	15,433 (RMB 3,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
9	Xiantao Hon Chuan	Luohe Hon Chuan	Receivable from related parties	Yes	26,457 (RMB 6,000)	26,457 (RMB 6,000)	26,457 (RMB 6,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	26,457 (RMB 6,000)	26,457 (RMB 6,000)	26,457 (RMB 6,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450
		Chuzhou Hon Chuan	Receivable from related parties	Yes	24,252 (RMB 5,500)	24,252 (RMB 5,500)	24,252 (RMB 5,500)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Corporation will not be subjected to the restriction on 40% of the latest net assets of the Corporation.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

Note 5: Significant intercompany accounts and transactions have been eliminated.

(Concluded)

**TABLE 2**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given On behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Samoa Hon Chuan	(Note 4)	\$ 7,575,792	\$ 307,100 (US\$ 10,000)	\$ 307,100 (US\$ 10,000)	\$ -	\$ -	2	\$ 15,151,583	Y	-	-
		Hon Chuan Asia	(Note 4)	7,575,792	175,047 (US\$ 5,700)	153,550 (US\$ 5,000)	-	-	1	15,151,583	Y	-	-
		Hon Chuan Indonesia	(Note 4)	7,575,792	3,117,065 (US\$ 101,500)	3,117,065 (US\$ 101,500)	184,868 (US\$ 6,020)	-	21	15,151,583	Y	-	-
		Bon Trust	(Note 4)	7,575,792	213,127 (US\$ 6,940)	208,828 (US\$ 6,800)	-	-	1	15,151,583	Y	-	-
		Xiantao Hon Chuan	(Note 4)	7,575,792	30,710 (US\$ 1,000)	-	-	-	-	15,151,583	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	7,575,792	522,070 (US\$ 17,000)	522,070 (US\$ 17,000)	245,680 (US\$ 8,000)	-	3	15,151,583	Y	-	Y
		Zhangzhou Hon Chuan	(Note 4)	7,575,792	460,650 (US\$ 15,000)	460,650 (US\$ 15,000)	307,880 (US\$ 10,025)	-	3	15,151,583	Y	-	Y
		Hon Chuan China	(Note 4)	7,575,792	1,228,400 (US\$ 40,000)	1,228,400 (US\$ 40,000)	-	-	8	15,151,583	Y	-	-
		Samoa Hon Hsing	(Note 4)	7,575,792	552,780 (US\$ 18,000)	552,780 (US\$ 18,000)	-	-	4	15,151,583	Y	-	-
		Hon Chuan Myanmar	(Note 4)	7,575,792	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	63,565 (US\$ 2,070)	-	1	15,151,583	Y	-	-
		Hon Chuan Malaysia	(Note 4)	7,575,792	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	-	-	1	15,151,583	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	912,750	26,823 (THB 30,000)	26,823 (THB 30,000)	1,788 (THB 2,000)	-	0.2	1,825,499	Y	-	-

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

**TABLE 3****TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Number of Shares	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,800,000	\$ 10,954	2	\$ 10,954
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
Samoa Hon Chuan	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	-	-	-
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	10,103 ( THB 11,300 )	0.08	10,103 ( THB 11,300 )

Note 1: The information about fair value please see Note 27.

Note 2: Information on investees, please see Tables 7 and 8.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.



**TABLE 4**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount (Notes 1 and 3)
Samoa Hon Hsing	Chuzhou Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	-	\$ -	-	\$ 368,520 (US\$ 12,000)	-	\$ 437,495 (US\$ 14,246)

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**TABLE 5**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**DECEMBER 31, 2022**  
**(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	\$ 3,218,377 (US\$ 104,799)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan Asia	Hon Chuan Myanmar	(Note 2)	109,604 (US\$ 3,569)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Qingxin Hon Chuan	(Note 2)	176,377 (RMB 40,000)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	125,669 (RMB 28,500)	-	-	Depend on the operation	24,252 (RMB 5,500)	-

Note 1: Including trade receivables, other receivables, receivable from related parties, and dividend receivables.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**TABLE 6**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details (Note 2)			
				Financial Statement Account	Amount (Note 3)	Payment Terms	% to Total Sales or Assets
1	The Parent	Hon Chuan Asia	3	prepayment	\$ 565,694	Depend on working capital sufficiency	1
2	Samoa Hon Chuan	Hon Chuan China	3	Receivable from related parties	3,151,460	Depend on working capital sufficiency	9

Note 1: Relationship of counterparty; (1) parent company to subsidiary; (2) subsidiary to parent company; (3) subsidiary to subsidiary.

Note 2: The transaction with each subsidiary account for more than or equal to 0.5% of total sales or assets of the consolidated financial statements.

Note 3: Significant intercompany accounts and transactions have been eliminated.

# TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	Shares	%	Carrying Amount			
The Corporation	Samoa Hon Chuan Bon Trust	Samoa Taichung	Overseas reinvested holding company Overseas reinvested holding company and international trade	\$ 15,383,151 9,990	\$ 16,254,813 9,990	501,824,319 999,000	100 99.90	\$ 20,869,722 23,422	\$ 1,480,870 10,461	\$ 1,480,870 10,450	Subsidiary Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	76,585	1,000	100	65,520	(5,545)	(5,545)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	91,125	15,000,000	100	77,006	131	131	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	5,824,121 (US\$ 189,649)	6,208,334 (US\$ 202,160)	135,970,513	96.236	7,455,129 (US\$ 242,759)	362,637 (US\$ 12,167)	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company	7,287,729 (US\$ 237,308)	7,827,303 (US\$ 254,878)	235,593,480	100	8,903,443 (US\$ 289,920)	1,078,226 (US\$ 36,176)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Samoa	Overseas reinvested holding company	414,124 (US\$ 13,485)	414,124 (US\$ 13,485)	13,485,118	100	440,750 (US\$ 14,352)	(18,747) (US\$ 629)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company	28,806 (US\$ 938)	28,806 (US\$ 938)	937,500	23.08	12,929 (US\$ 421)	(10,253) (US\$ 344)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	3,883,587 (US\$ 126,460)	3,975,717 (US\$ 129,460)	1,021,023,676	100	5,880,044 (US\$ 191,470)	421,085 (US\$ 14,128)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	3,494,982 (US\$ 113,806)	3,894,212 (US\$ 126,806)	113,806,000	100	4,841,370 (US\$ 157,648)	99,131 (US\$ 3,326)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,274,404 (US\$ 41,498)	1,274,404 (US\$ 41,498)	137,000,000	100	1,868,918 (US\$ 60,857)	217,904 (US\$ 7,311)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	4,264,790 (US\$ 138,873)	4,264,790 (US\$ 138,873)	98,575,783	100	4,691,014 (US\$ 152,752)	532,138 (US\$ 17,854)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	982,720 (US\$ 32,000)	982,720 (US\$ 32,000)	-	100	1,299,064 (US\$ 42,301)	135,881 (US\$ 4,559)	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	801,500 (US\$ 26,099)	801,500 (US\$ 26,099)	81,259,900	100	585,118 (US\$ 19,053)	75,615 (US\$ 2,537)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE membrane	730,468 (US\$ 23,786)	730,468 (US\$ 23,786)	89,524,394	70	472,565 (US\$ 15,388)	143,422 (US\$ 4,812)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company	444,220 (US\$ 14,465)	444,220 (US\$ 14,465)	69,854,780	100	107,270 (US\$ 3,493)	(21,132) (US\$ 709)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company	55,401 (US\$ 1,804)	55,401 (US\$ 1,804)	1,002	49	55,432 (US\$ 1,805)	3,368 (US\$ 113)	(Note 1)	Indirect subsidiary
	Hon Hua (Samoa) Holding Limited	Samoa	Overseas reinvested holding company and international trade	222,955 (US\$ 7,260)	248,751 (US\$ 8,100)	7,260,000	60	220,559 (US\$ 7,182)	29,030 (US\$ 974)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	113,248 (THB 126,662)	113,248 (THB 126,662)	12,666,225	65	140,288 (THB 156,906)	19,180 (THB 22,420)	(Note 1)	Indirect subsidiary
Samoa Honly	Honly Food	Cambodia	Beverage filling	551,767 (US\$ 17,967)	551,767 (US\$ 17,967)	17,966,248	100	107,116 (US\$ 3,488)	( 21,072) (US\$ 707)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company	400,581 (US\$ 13,044)	400,581 (US\$ 13,044)	3,138,790	60	419,806 (US\$ 13,670)	( 36,690) (US\$ 1,231)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sale of plastic caps PET bottles and LDPE membrane	27,915 (US\$ 909)	27,915 (US\$ 909)	-	100	123,423 (US\$ 4,019)	( 26,854) (US\$ 901)	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sale of plastic caps	74,380 (US\$ 2,422)	74,380 (US\$ 2,422)	-	100	76,007 (US\$ 2,475)	( 9,836) (US\$ 330)	(Note 1)	Indirect subsidiary
Hon hua	Uni Tun	Myanmar	Bottled water filling	4,238 (US\$ 138)	4,238 (US\$ 138)	-	100	10,441 (US\$ 340)	23,009 (US\$ 772)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

Note 3: Information on investments in mainland China, please see Table 8.

Note 4: Significant intercompany accounts and transactions have been eliminated except for Paeon Company.

TABLE 8

## TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Notes 2 and 5)	Carrying Amount as of December 31, 2022 (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 817,807 (US\$ 26,630)	(Note 1)	\$ 591,475 (US\$ 19,260)	\$ -	\$ -	\$ 591,475 (US\$ 19,260)	\$ (29,179)	96.236%	\$ (28,076)	\$ 908,876	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	2,053,271 (US\$ 66,860)	(Note 1)	-	-	-	-	393,158	96.236%	378,374	2,347,983	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	921,300 (US\$ 30,000)	(Note 1)	196,605 (US\$ 6,402)	-	-	196,605 (US\$ 6,402)	3,875	96.236%	3,755	820,155	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,412,660 (US\$ 46,000)	(Note 1)	753,193 (US\$ 24,526)	-	-	753,193 (US\$ 24,526)	(60,385)	96.236%	(58,120)	590,136	-
Jinan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,105,560 (US\$ 36,000)	(Note 1)	227,930 (US\$ 7,422)	-	-	227,930 (US\$ 7,422)	77,910	96.236%	74,989	1,329,490	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	810,437 (US\$ 26,390)	(Note 1)	301,849 (US\$ 9,829)	-	-	301,849 (US\$ 9,829)	32,547	96.236%	31,325	960,241	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	614,200 (US\$ 20,000)	(Note 1)	333,388 (US\$ 10,856)	-	333,388 (US\$ 10,856)	-	14,217	96.236%	13,680	1,060,637	-
Chuzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	738,576 (US\$ 24,050)	(Note 1)	14,249 (US\$ 464)	-	-	14,249 (US\$ 464)	75,973	96.236%	73,112	843,769	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	460,650 (US\$ 15,000)	(Note 1)	23,831 (US\$ 776)	-	-	23,831 (US\$ 776)	(2,742)	96.236%	(2,623)	443,548	-
Luohe Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	368,520 (US\$ 12,000)	(Note 1)	-	-	-	-	10,551	96.236%	10,164	379,386	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	35,275 (RMB 8,000)	(Note 1)	-	-	-	-	(115)	96.236%	(111)	-	-
Quzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	291,745 (US\$ 9,500)	(Note 1)	-	-	-	-	-	96.236%	-	286,675	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,161,093 ( US\$ 70,371 )	\$ 9,084,356 ( US\$ 295,811 )	(Note 3)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation recognized its equity in the investee's net income on the basis of financial statements audited by the CPA member firm of the Corporation's auditors.

Note 3: The regulation refers to "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

Note 5: Significant intercompany accounts and transactions have been eliminated.

## 6.5 A parent company only financial statement for the most recent fiscal year

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Taiwan Hon Chuan Enterprise Co., Ltd.

#### Opinion

We have audited the accompanying financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. (the "Corporation"), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the Corporation's financial statements for the year ended December 31, 2022 is described as follows:

#### Revenue recognition

The Corporation manufactures and sells plastic caps and PET bottles, PET preforms and provides beverage filling OEM services. Because revenue from high-growth companies from the aforementioned main products is significant to both the Corporation's revenue and profit, we identified revenue from high-growth companies' recognition as a key audit matter. Refer to Note 4 to the financial statements for the accounting policies on revenue recognition.

The key audit procedures that we performed in respect of revenue recognition included the following:

1. We understood the design of the internal controls related to revenue recognition and tested the operating effectiveness of the key controls. We also sampled and tested the effective continued operations of relevance controls.
2. We selected sample entries from the main products and we checked the entries against the original order, delivery order, invoices and receipt vouchers. We also checked the entries against the documents acknowledged by customers for their receipts, deliveries and orders.

### **Other Matter**

We did not audit the financial statements of Hon Chuan Vietnam Co., Ltd., Hon Chuan Malaysia Sdn. Bhd., Hon Chuan (Thailand) Co., Ltd. and Hon Chuan FD Packaging Co., Ltd., which are investees of the Corporation and are accounted for using the equity method for the year ended December 31, 2022 and 2021, but such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included in the Corporation's financial statements for these investees, is based solely on the reports of other auditors. The total assets of the aforementioned investments accounted for using the equity method were NTD3,753,100 thousand and NTD3,317,752 thousand, representing 11.37% and 10.91%, respectively, of the Corporation's total assets as of December 31, 2022 and 2021. The comprehensive income of these investees was NTD429,400 thousand and NTD420,219 thousand, representing 15.97% and 29.59%, respectively, of the Corporation's comprehensive income for the years ended December 31, 2022 and 2021.

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

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended



December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Shao-Chun Wu and Hsiao-Feng Yen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 10, 2023

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,256,069	4	\$ 911,993	3
Financial assets at amortized cost - current (Notes 9 and 28)	214,970	1	-	-
Notes receivable from unrelated parties	142,158	-	180,418	1
Trade receivables from unrelated parties (Note 9)	1,088,094	3	1,006,027	3
Trade receivables from related parties (Note 27)	11,413	-	20,958	-
Inventories (Note 11)	984,177	3	1,024,130	4
Prepayments (Note 12)	567,503	2	-	-
Other current assets (Notes 15 and 27)	374,192	1	355,305	1
Total current assets	4,638,576	14	3,498,831	12
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 8)	19,599	-	24,894	-
Long-term investments accounted for using the equity method (Note 12)	21,035,670	64	19,971,100	66
Property, plant and equipment (Notes 13 and 27)	6,459,265	20	6,260,952	20
Right-of-use assets (Note 14)	320,731	1	336,932	1
Intangible assets	8,084	-	10,515	-
Deferred tax assets (Note 22)	3,892	-	10,868	-
Net defined benefit assets - non-current (Note 19)	20,380	-	-	-
Prepayments for equipment	455,663	1	258,445	1
Other non-current assets (Note 15)	35,074	-	32,143	-
Total non-current assets	28,358,358	86	26,905,849	88
<b>TOTAL</b>	<u>\$ 32,996,934</u>	<u>100</u>	<u>\$ 30,404,680</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 3,264,024	10	\$ 2,067,000	7
Short-term bills payable (Note 16)	1,700,000	5	1,200,000	4
Financial liabilities at fair value through profit or loss - current (Note 7)	111	-	-	-
Notes payable to unrelated parties	53	-	29	-
Trade payables to unrelated parties	419,839	1	385,227	2
Trade payables to related parties (Note 27)	5,858	-	2,341	-
Current tax liabilities (Note 22)	163,188	1	348,381	1
Lease liabilities - current (Note 14)	15,031	-	14,797	-
Deferred revenue - current (Note 24)	17,655	-	16,562	-
Current portion of long-term liabilities (Notes 16, 17 and 24)	4,419,190	13	955,744	3
Other current liabilities (Note 18)	820,016	3	679,221	2
Total current liabilities	10,824,965	33	5,669,302	19
<b>NON-CURRENT LIABILITIES</b>				
Bonds payable (Note 17)	2,995,846	9	5,993,313	20
Long-term borrowings (Note 16 and 24)	3,862,346	12	4,862,932	16
Deferred tax liabilities (Note 22)	38,865	-	24,283	-
Lease liabilities - non-current (Note 14)	312,571	1	327,445	1
Deferred revenue - non-current (Note 24)	46,003	-	59,786	-
Net defined benefit liabilities - non-current (Note 19)	1,057	-	3,144	-
Guarantee deposits received	4,250	-	4,250	-
Total non-current liabilities	7,260,938	22	11,275,153	37
Total liabilities	18,085,903	55	16,944,455	56
<b>EQUITY</b>				
Ordinary shares	2,877,859	9	2,877,859	9
Capital surplus	5,395,572	16	5,395,572	18
Retained earnings				
Legal reserve	2,017,461	6	1,821,033	6
Special reserve	2,855,215	9	2,311,175	7
Unappropriated earnings	4,152,425	12	3,909,801	13
Other equity	(2,387,501)	(7)	(2,855,215)	(9)
Total equity	14,911,031	45	13,460,225	44
<b>TOTAL</b>	<u>\$ 32,996,934</u>	<u>100</u>	<u>\$ 30,404,680</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
SALES (Note 27)	\$ 8,647,895	100	\$ 8,013,934	100
COST OF GOODS SOLD (Notes 10, 21 and 27)	<u>6,560,374</u>	<u>76</u>	<u>5,953,584</u>	<u>74</u>
GROSS PROFIT	<u>2,087,521</u>	<u>24</u>	<u>2,060,350</u>	<u>26</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	694,126	8	649,234	8
General and administrative expenses	378,557	4	342,718	5
Research and development expenses	<u>83,150</u>	<u>1</u>	<u>85,582</u>	<u>1</u>
Total operating expenses	<u>1,155,833</u>	<u>13</u>	<u>1,077,534</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>931,688</u>	<u>11</u>	<u>982,816</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 21 and 24)	(161,583)	(2)	(124,103)	(1)
Share of profit of subsidiaries (Note 12)	1,485,906	17	1,278,398	16
Interest income	18,201	-	703	-
Other gains and losses (Note 21)	32,277	1	32,570	-
Net foreign exchange gain (loss)	<u>100,868</u>	<u>1</u>	<u>(25,918)</u>	<u>-</u>
Total non-operating income and expenses	<u>1,475,669</u>	<u>17</u>	<u>1,161,650</u>	<u>15</u>
PROFIT BEFORE INCOME TAX	2,407,357	28	2,144,466	27
INCOME TAX EXPENSE (Note 22)	<u>192,219</u>	<u>2</u>	<u>179,735</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,215,138</u>	<u>26</u>	<u>1,964,731</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	10,230	-	(1,019)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	(1,295)	-	(3,003)	-

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Share of the other comprehensive income of associates accounted for using the equity method (Note 12)	\$ (1,639)	-	\$ 1,029	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(2,046)	-	204	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>467,897</u>	<u>5</u>	<u>(541,699)</u>	<u>(7)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>473,147</u>	<u>5</u>	<u>(544,488)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 2,688,285</u>	<u>31</u>	<u>\$ 1,420,243</u>	<u>18</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 7.70</u>		<u>\$ 6.83</u>	
Diluted	<u>\$ 7.68</u>		<u>\$ 6.81</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

(Concluded)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	Share Capital (Note 20)	Capital Surplus (Note 20)	Retained Earnings (Notes 19 and 20)			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Investments in Equity Instruments at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 2,877,859	\$ 5,395,572	\$ 1,670,003	\$ 1,955,038	\$ 3,488,714	\$ (2,299,814 )	\$ (11,361 )	\$ 13,076,011
Appropriation of 2020 earnings								
Legal reserve	-	-	151,030	-	(151,030 )	-	-	-
Special reserve	-	-	-	356,137	(356,137 )	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,036,029 )	-	-	(1,036,029 )
Net profit for the year ended December 31, 2021	-	-	-	-	1,964,731	-	-	1,964,731
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(448 )	(541,699 )	(2,341 )	(544,488 )
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	1,964,283	(541,699 )	(2,341 )	1,420,243
BALANCE AT DECEMBER 31, 2021	2,877,859	5,395,572	1,821,033	2,311,175	3,909,801	(2,841,513 )	(13,702 )	13,460,225
Appropriation of 2021 earnings								
Legal reserve	-	-	196,428	-	(196,428 )	-	-	-
Special reserve	-	-	-	544,040	(544,040 )	-	-	-
Cash dividends distributed by the Corporation	-	-	-	-	(1,237,479 )	-	-	(1,237,479 )
Net profit for the year ended December 31, 2022	-	-	-	-	2,215,138	-	-	2,215,138
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	5,433	467,897	(183 )	473,147
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,220,571	467,897	(183 )	2,688,285
BALANCE AT DECEMBER 31, 2022	\$ 2,877,859	\$ 5,395,572	\$ 2,017,461	\$ 2,855,215	\$ 4,152,425	\$ (2,373,616 )	\$ (13,885 )	\$ 14,911,031

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,407,356	\$ 2,144,466
Adjustments for:		
Depreciation and amortization expenses	717,927	725,318
Net loss on fair value changes of financial assets and liabilities at fair value through profit or loss	111	-
Finance costs	161,583	124,103
Interest income	(18,201)	(703)
Share of profit of subsidiaries	(1,485,906)	(1,278,398)
Loss on disposal of property, plant and equipment	5,670	995
Write-down of inventories	(7,219)	9,442
Unrealized net loss (gain) on foreign currency exchange	(53,584)	24,630
Reversal of deferred revenue	(17,180)	(14,573)
Net changes in operating assets and liabilities		
Financial instruments mandatorily classified as at fair value through profit or loss	-	15,521
Notes receivable	38,260	(36,618)
Trade receivables	(71,893)	(217,272)
Inventories	47,172	(231,168)
Other current assets	(14,107)	(38,434)
Notes payable	24	(608)
Trade payables	38,163	(25,974)
Other current liabilities	18,375	69,280
Net defined benefit plans	(12,237)	(11,871)
Deferred revenue	-	10,500
Cash generated from operations	1,754,314	1,268,636
Interest received	13,513	641
Interest paid	(135,871)	(101,206)
Income tax paid	(357,900)	(6,639)
Net cash generated from operating activities	<u>1,274,056</u>	<u>1,161,432</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Return of capital from financial assets at fair value through other comprehensive income	4,000	-
Purchase of financial assets at amortized cost	(200,428)	-
Increase in prepayments for investments	(567,503)	-
Proceeds from capital reduction of associates	871,662	337,467
Payments for property, plant and equipment	(583,705)	(848,127)
Proceeds from disposal of property, plant and equipment	1,608	11,056
Increase in refundable deposits	(1,303)	(1,517)
Payments for intangible assets	-	(10,922)
Increase in other current assets	(3,513)	-

(Continued)

# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2022	2021
Increase in prepayments for equipment	\$ (394,679)	\$ (159,717)
Dividends received from subsidiaries	<u>15,932</u>	<u>10,522</u>
Net cash used in investing activities	<u>(857,929)</u>	<u>(661,238)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,197,024	652,624
Increase (decrease) in short-term bills payable	500,000	(1,900,000)
Proceeds from issuance of bonds	-	2,994,700
Proceeds from long-term borrowings	1,221,396	2,030,208
Repayments of long-term borrowings	(1,775,888)	(2,670,000)
Decrease in guarantee deposits received	-	(1,000)
Repayment of the principal portion of lease liabilities	(14,816)	(14,623)
Dividends paid	<u>(1,237,479)</u>	<u>(1,036,029)</u>
Net cash generated from (used in) financing activities	<u>(109,763)</u>	<u>55,880</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>37,712</u>	<u>(24,253)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	344,076	531,821
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>911,993</u>	<u>380,172</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,256,069</u>	<u>\$ 911,993</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2023)

(Concluded)



# TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. ORGANIZATION AND OPERATIONS

Taiwan Hon Chuan Enterprise Co., Ltd. (the “Corporation”) was incorporated in 1969. It manufactures and sells various packaging materials for the food and beverage industries (such as aluminum closures, plastic caps, metal caps, labels, polyethylene terephthalate (PET) bottles, and beverage filling original equipment manufacturer (OEM) and automatic sealer machines.

The Corporation became a public company in August 1993 under the approval of the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission. The Corporation’s shares have been listed on the Taiwan Stock Exchange since March 2, 2001.

The financial statements of the Corporation are presented in the Corporation’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 10, 2023.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Corporation has assessed that the application of other standards and interpretations will not have a material impact on the Corporation's financial position and financial performance.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

As of the date the financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance

The Corporation's financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The Corporation's financial statements have been prepared on the historical cost basis except for financial

instruments that are measured at fair value and net defined benefit liabilities (assets) which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing the Corporation's financial statements, the Corporation used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the Corporation's financial statements to be the same as the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in the Corporation's financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at

the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purposes of presenting the financial statements, the assets and liabilities of the Corporation's foreign operations (including subsidiaries and associates operating in other countries or those that use currencies that are different from the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period; and income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Corporation.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the Corporation's share of equity of subsidiaries.

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation

losing control of the subsidiary are accounted for as equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Corporation had directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions are eliminated in full only in the Corporation's financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the Corporation's financial statements and only to the extent of interests in the subsidiaries that are not related to the Corporation.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting

period, with the effect of any changes in the estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and any dividends, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, other receivables and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Corporation may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted

if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Corporation always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Corporation recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation considers that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The Corporation recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.



## 2) Equity instruments

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

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Corporation's own equity instruments.

## 3) Financial liabilities

### a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, any gains or losses on such financial liabilities are recognized in other gains or losses; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 26.

### b) Derecognition of financial liabilities

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

## 4) Derivative financial instruments

The Corporation enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and exchange rate swap contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Revenue recognition

The Corporation identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods and accounts receivable are recognized when the goods are delivered to the customer's designated location or when the goods are shipped, because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Corporation does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leases

At the inception of a contract, the Corporation assesses whether the contract is, or contains, a lease.

The Corporation as lessee

The Corporation recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases which are accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Corporation uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods

in which they are incurred.

m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Corporation will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Corporation recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

o. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost), and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (refundable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and such temporary differences are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences

that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimations, and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revision affects both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand and petty cash	\$ 371	\$ 315
Checking accounts and demand deposits	733,628	281,958
Cash equivalent		
Time deposits with original maturities of 3 months or less	<u>522,070</u>	<u>629,720</u>
	<u>\$ 1,256,069</u>	<u>\$ 911,993</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	December 31	
Financial Liabilities at Fair Value through Profit or Loss - Current	2022	2021
<u>Financial liabilities mandatorily classified as at FVTPL</u>		
Derivative financial liabilities		
Exchange rate swap contracts	<u>\$ 111</u>	<u>\$ -</u>

At the end of the year, outstanding foreign exchange forward contracts and exchange rate swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount
<u>December 31, 2022</u>			
Buy	EUR/NTD	2023.01.05	EUR1,167/TWD38,054

The Corporation entered into exchange rate swap contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

### EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2022	2021
<u>Domestic investments</u>		
Unlisted shares	\$ 10,954	\$ 16,249
<u>Foreign investments</u>		
Unlisted shares	<u>8,645</u>	<u>8,645</u>
	<u>\$ 19,599</u>	<u>\$ 24,894</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Corporation's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	2022	2021
Pledged time deposits	<u>\$ 214,970</u>	<u>\$ -</u>

Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. TRADE RECEIVABLES - NET

At Amortized Cost	December 31	
	2022	2021
Trade receivables from unrelated parties	\$ 1,088,816	\$ 1,006,749
Less: Allowance for impairment loss	<u>(722)</u>	<u>(722)</u>
	<u>\$ 1,088,094</u>	<u>\$ 1,006,027</u>

The average credit period of sales of goods is 30 to 90 days. No interest is charged on trade receivables. The Corporation uses other publicly available financial information or its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

In order to minimize credit risk, the management of the Corporation has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Corporation reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Corporation's credit risk was significantly reduced.

The Corporation measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. As the Corporation's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Corporation's different customer base.

The Corporation writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Corporation continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The Corporation has no notes receivable that are past due. The following table details the loss allowance of trade receivables:

	Not Past Due	1 to 90 Days Past Due	91 to 180 Days Past Due	181 to 360 Days Past Due	Over 1 Year Past Due	Total
Expected credit loss rate	0.001%	0.5%-2%	3%-5%	10%	50%-100%	
<u>December 31, 2022</u>						
Gross carrying amount	\$ 1,062,275	\$ 25,677	\$ 417	\$ -	\$ 447	\$ 1,088,816
Loss allowance (Lifetime ECLs)	<u>(325)</u>	<u>(129)</u>	<u>(12)</u>	<u>-</u>	<u>(256)</u>	<u>(722)</u>
Amortized cost	<u>\$ 1,061,950</u>	<u>\$ 25,548</u>	<u>\$ 405</u>	<u>\$ -</u>	<u>\$ 191</u>	<u>\$ 1,088,094</u>
<u>December 31, 2021</u>						
Gross carrying amount	\$ 972,135	\$ 34,028	\$ 521	\$ -	\$ 65	\$ 1,006,749
Loss allowance (Lifetime ECLs)	<u>(439)</u>	<u>(202)</u>	<u>(16)</u>	<u>-</u>	<u>(65)</u>	<u>(722)</u>
Amortized cost	<u>\$ 971,696</u>	<u>\$ 33,826</u>	<u>\$ 505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,027</u>

The movements of the loss allowance of trade receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1 and December 31	\$ <u>722</u>	\$ <u>722</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Finished goods	\$ 457,135	\$ 402,772
Work in progress	12,697	8,586
Raw materials	514,345	611,432
Inventory in transit	<u>-</u>	<u>1,340</u>
	<u>\$ 984,177</u>	<u>\$ 1,024,130</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$6,560,374 thousand and \$5,953,584 thousand, respectively.

The cost of goods sold for the years ended December 31, 2022 and 2021 included reversal of inventory write-downs of \$7,219 thousand and inventory write-downs of \$9,442 thousand, respectively. The reversal of previous write-downs resulted from the slow-moving inventories were sold.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

<b>Investments in Subsidiaries</b>	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Unlisted company</u>		
Hon Chuan Holding Limited (“Samoa Hon Chuan”)	\$20,869,722	\$19,802,388
Bon Trust International Trade Co., Ltd. (“Bon Trust”)	23,422	28,904
Hon Chuan (Cambodia) Co., Ltd. (“Hon Chuan Cambodia”)	65,520	64,205
Hon Chuan (Philippines) Co., Ltd. (“Hon Chuan Philippines”)	<u>77,006</u>	<u>75,603</u>
	<u>\$21,035,670</u>	<u>\$19,971,100</u>
	<b>Proportion of Ownership and Voting Rights (%)</b>	
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Samoa Hon Chuan	100	100
Bon Trust	99.9	99.9
Hon Chuan Cambodia	100	100
Hon Chuan Philippines	100	100



The Board of Directors has been approved the investment which that changed the investment structure in November 10,2022, the Corporation purchased 100% of the shares of Hon Chuan Malaysia SDN. BHD.(Hon Chuan Malaysia) from HC (Asia) Holdings Co., Ltd. (Hon Chuan Asia) and recorded a prepayment of \$567,503 thousand, which will be reclassified as an investment accounted for using equity method in January 1,2023.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2022</u>					
Cost					
Freehold land	\$ 592,045	\$ -	\$ -	\$ -	\$ 592,045
Buildings	3,040,852	1,767	-	-	3,042,619
Equipment	5,866,943	108,499	(71,320)	109,617	6,013,739
Other equipment	3,959,000	83,927	(55,039)	87,844	4,075,732
Property under construction	448,662	511,171	-	-	959,833
	<u>13,907,502</u>	<u>\$ 705,364</u>	<u>\$ (126,359)</u>	<u>\$ 197,461</u>	<u>14,683,968</u>
Accumulated depreciation					
Buildings	780,186	\$ 84,368	\$ -	\$ -	864,554
Equipment	4,343,787	322,376	(65,404)	-	4,600,759
Other equipment	2,522,577	290,490	(53,677)	-	2,759,390
	<u>7,646,550</u>	<u>\$ 697,234</u>	<u>\$ (119,081)</u>	<u>\$ -</u>	<u>8,224,703</u>
	<u>\$ 6,260,952</u>				<u>\$ 6,459,265</u>
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>For the Year Ended December 31, 2021</u>					
Cost					
Freehold land	\$ 467,045	\$ 125,000	\$ -	\$ -	\$ 592,045
Buildings	2,931,965	30,797	-	78,090	3,040,852
Equipment	5,545,083	95,622	(73,548)	299,786	5,866,943
Other equipment	3,613,872	177,541	(42,040)	209,627	3,959,000
Property under construction	91,558	459,547	-	(102,443)	448,662
	<u>12,649,523</u>	<u>\$ 888,507</u>	<u>\$ (115,588)</u>	<u>\$ 485,060</u>	<u>13,907,502</u>
Accumulated depreciation					
Buildings	697,004	\$ 83,182	\$ -	\$ -	780,186
Equipment	4,073,197	337,748	(67,158)	-	4,343,787
Other equipment	2,273,978	284,978	(36,379)	-	2,522,577
	<u>7,044,179</u>	<u>\$ 705,908</u>	<u>\$ (103,537)</u>	<u>\$ -</u>	<u>7,646,550</u>
	<u>\$ 5,605,344</u>				<u>\$ 6,260,952</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Building	
Main buildings	20-60 years
Electrical power equipment	10-50 years
Other	10-50 years
Machinery equipment	3-22 years
Other equipment	3-25 years

## 14. LEASE ARRANGEMENTS

### a. Right-of-use assets

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Land	\$ 320,575	\$ 336,932
Machinery	<u>156</u>	<u>-</u>
	<u>\$ 320,731</u>	<u>\$ 336,932</u>
	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 176</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Land	\$ 16,357	\$ 16,357
Machinery	<u>20</u>	<u>-</u>
	<u>\$ 16,377</u>	<u>\$ 16,357</u>

### b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 15,031</u>	<u>\$ 14,797</u>
Non-current	<u>\$ 312,571</u>	<u>\$ 327,445</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	1.18%	1.18%
Machinery	1.18%	-

### c. Material leasing activities and terms

The Corporation leases land for the use of plants, office spaces and warehouses with lease terms of 10 years from the Export Processing Zone Administration, MOEA of the ROC. Based on the lease, the variable lease payments are dependent on the Taiwan consumer price index of the year before the lease. The Corporation does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Corporation is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases	\$ 82,588	\$ 79,285
Total cash outflow for leases	\$ (101,339)	\$ (98,016)

The Corporation's leases of certain buildings, office equipment and transportation equipment which qualify as short-term leases. The Corporation has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 15. OTHER ASSETS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Office supplies	\$ 334,946	\$ 304,700
Prepaid expenses and prepayment for purchases	18,318	32,352
Refundable deposits	30,920	29,616
Other receivables	16,098	17,341
Others	8,984	3,439
	<u>\$ 409,266</u>	<u>\$ 387,448</u>
Current	\$ 374,192	\$ 355,305
Non-current	<u>35,074</u>	<u>32,143</u>
	<u>\$ 409,266</u>	<u>\$ 387,448</u>
		(Concluded)

The movements of the loss allowance of other receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1 and December 31	\$ 6,596	\$ 6,596

## 16. BORROWINGS

a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Secured borrowings</u>		

Secured loans	\$ 168,000	\$ -
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Unsecured borrowings

Line of credit borrowings	3,090,000	2,067,000
Loans for purchasing raw materials	<u>6,024</u>	<u>-</u>

	<u>\$ 3,264,024</u>	<u>\$ 2,067,000</u>
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Rate of interest per annum (%)

Secured loans	1.30-1.40	-
Line of credit borrowings	1.00-1.87	0.55-0.70
Loans for purchasing raw materials	1.67	-

b. Short-term bills payable

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>

Commercial paper	<u>\$ 1,700,000</u>	<u>\$ 1,200,000</u>
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Rate of interest per annum (%)

Commercial paper	1.46-1.60	0.56-0.58
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c. Long-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>

Line of credit borrowings	\$ 4,316,764	\$ 4,871,257
Less: Current portion	(1,419,557)	(955,744)
Discounts on government grants (Note 24)	(34,861)	(52,581)
Bill of credit borrowings	<u>1,000,000</u>	<u>1,000,000</u>

Long-term borrowings	<u>\$ 3,862,346</u>	<u>\$ 4,862,932</u>
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Rate of interest per annum (%)

Line of credit borrowings	0.47-1.81	0.10-0.93
Bill of credit borrowings	0.708	0.708

**17. BONDS PAYABLE**

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>

Unsecured domestic bonds	\$ 6,000,000	\$ 6,000,000
Less: Bonds discount	(4,521)	(6,687)

Current portion	<u>(2,999,633)</u>	<u>-</u>
	<u>\$ 2,995,846</u>	<u>\$ 5,993,313</u>

On November 26, 2021, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 0.75% and an effective interest rate of 0.7862%. The principal is repayable in cash upon maturity (November 26, 2026).

On April 27, 2018, the Corporation issued five-year unsecured domestic bonds for a total of \$3,000,000 thousand with a coupon rate of 1.07% and an effective interest rate of 1.1079%. The principal is repayable in cash upon maturity (April 27, 2023).

## 18. OTHER LIABILITIES - OTHERS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Payables for purchases of equipment	\$ 244,981	\$ 123,885
Payables for salaries	216,854	187,327
Payables for bonus to employees	44,457	37,433
Payables for annual leave	28,466	27,096
Advance receipts	22,184	24,151
Payables for remuneration of directors	19,414	17,294
Others	<u>243,660</u>	<u>262,035</u>
	<u>\$ 820,016</u>	<u>\$ 679,221</u>

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plans

The defined benefit plans adopted by the Corporation in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Corporation has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Corporation's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Present value of defined benefit obligation	\$ 132,564	\$ 136,562
Fair value of plan assets	<u>(151,887)</u>	<u>(133,418)</u>
Net defined benefit liabilities	<u>\$ (19,323)</u>	<u>\$ 3,144</u>

Movements in net defined benefit liabilities (assets) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2021	<u>\$ 138,480</u>	<u>\$ (124,484)</u>	<u>\$ 13,996</u>
Service cost			
Current service cost	421	-	421
Net interest expense (income)	<u>484</u>	<u>(456)</u>	<u>28</u>
Recognized in profit or loss	<u>905</u>	<u>(456)</u>	<u>449</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,764)	(1,764)
Actuarial loss - changes in demographic assumptions	5,272	-	5,272
Actuarial loss - changes in financial assumptions	(3,678)	-	(3,678)
Actuarial loss - experience adjustments	<u>1,189</u>	<u>-</u>	<u>1,189</u>

Recognized in other comprehensive income	<u>2,783</u>	<u>(1,764)</u>	<u>1,019</u> (Continued)
	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (12,320)	\$ (12,320)
Benefits paid	<u>(5,606)</u>	<u>5,606</u>	<u>-</u>
Balance at December 31, 2021	<u>136,562</u>	<u>(133,418)</u>	<u>3,144</u>
Service cost			
Current service cost	313	-	313
Net interest expense (income)	<u>1,024</u>	<u>(1,047)</u>	<u>(23)</u>
Recognized in profit or loss	<u>1,337</u>	<u>(1,047)</u>	<u>290</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,009)	(10,009)
Actuarial gain - changes in financial assumptions	<u>(5,400)</u>	<u>-</u>	<u>(5,400)</u>
Actuarial loss - experience adjustments	<u>5,179</u>	<u>-</u>	<u>5,179</u>
Recognized in other comprehensive income	<u>(221)</u>	<u>(10,009)</u>	<u>(10,230)</u>
Contributions from the employer	-	(12,527)	(12,527)
Benefits paid	<u>(5,114)</u>	<u>5,114</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 132,564</u>	<u>\$ (151,887)</u>	<u>\$ (19,323)</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Corporation is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate(s)	1.400%	0.750%

Expected rate(s) of salary increase	1.125%	1.125%
-------------------------------------	--------	--------

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rate		
0.25% increase	\$ (2,128)	\$ (2,351)
0.25% decrease	\$ 2,186	\$ 2,420
Expected rate of salary increase/decrease		
0.25% increase	\$ 2,119	\$ 2,331
0.25% decrease	\$ (2,073)	\$ (2,276)

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Expected contributions to the plans for the next year	\$ 12,527	\$ 12,320
Average duration of the defined benefit obligation	8 years	9 years

## 20. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Shares authorized (in thousands of shares)	350,000	350,000
Shares authorized	\$ 3,500,000	\$ 3,500,000
Shares issued and fully paid (in thousands of shares)	287,786	287,786
Shares issued	\$ 2,877,859	\$ 2,877,859

### b. Capital surplus

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Arising from issuance of common shares (1)	\$ 4,841,447	\$ 4,841,447
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition (1)	353,848	353,848
Other (2)	200,277	200,277
	<u>\$ 5,395,572</u>	<u>\$ 5,395,572</u>



- 1) The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares) and the difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in capital and to once a year).
  - 2) Such capital surplus may be used to offset a deficit.
- c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Corporation made a profit after tax in a fiscal year, the profit shall be first utilized for offsetting cumulative losses, setting aside as legal reserve 10% of the remaining profit until the accumulated legal capital reserve equals the Corporation's paid-in capital, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to compensation of employees and remuneration of directors in Note 21-d.

The dividends and bonuses, capital surplus, or legal reserve can be distributed in the whole or in part by cash after a resolution has been adopted by a majority of directors present at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholder's meeting.

The dividends policy of the Corporation shall be made according to the Corporation's current and future plan, considering investment environment, fund requirements, overall competition and taking into account the interests of shareholders. The Corporation may appropriate more than 30% of net profits of current year for dividends to shareholders. However, when accumulated unappropriated earnings are less than 10% of capital, the Corporation may decide not to distribute dividend.

The shareholders' dividends shall be distributed in the form of cash dividends or share dividends. More than (or equal to) 50% of the total amount of shareholders' dividends shall be in the form of cash dividends.

The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of cash dividends per share for 2021 and 2020 were as follows:

<b>Appropriation of Earnings For the Year Ended December 31</b>		<b>Dividends Per Share (NT\$) For the Year Ended December 31</b>	
<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

Legal reserve	\$ 196,428	\$ 151,030		
Special reserve	544,040	356,137		
Cash dividends	1,237,479	1,036,029	\$4.30	\$3.60

The appropriation of earnings as cash dividends has been resolved by the Corporation's board of directors on March 22, 2022 and March 23, 2021, the other proposed appropriations will be resolved by the shareholders in their meetings on June 17, 2022 and July 16, 2021.

The appropriation of earnings for 2022, which was proposed/resolved by the Corporation's board of directors on March 10, 2023, was as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
<u>Proposed</u>		
Legal reserve	\$ 222,057	
Reversal of special reserve	467,714	
<u>Resolved</u>		
Cash dividends	1,381,372	\$ 4.80

The appropriation of earnings as cash dividends as listed above had been resolved by the Corporation's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 31, 2023.

d. Special reserves

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated to the special reserve an amount of \$352,668 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

## 21. NET PROFIT FROM CONTINUING OPERATIONS

Net profit (loss) from continuing operations includes the following items:

a. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss on disposal of property, plant and equipment	\$ (5,670)	\$ (995)

Gain on valuation of financial assets and liabilities at FVTPL	159	674
Miscellaneous income	<u>37,788</u>	<u>32,891</u>
	<u>\$ 32,277</u>	<u>\$ 32,570</u>

b. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank	\$ 78,673	\$ 65,370
Interest on convertible bonds	56,765	35,492
Interest on lease liabilities	3,935	4,108
Other interest expenses (Note 24)	<u>22,210</u>	<u>19,133</u>
	<u>\$ 161,583</u>	<u>\$ 124,103</u>

c. Employee benefits expense, depreciation and amortization expenses

	<b>For the Year Ended December 31</b>					
	<b>2022</b>			<b>2021</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expense						
Payroll expense	\$ 763,102	\$ 332,323	\$ 1,095,425	\$ 724,390	\$ 306,314	\$ 1,030,704
Labor and health insurance expense	67,872	24,698	92,570	65,929	24,652	90,581
Pension expense	25,635	9,952	35,587	25,407	9,994	35,401
Other employee benefits expense	5,863	14,857	20,720	4,716	11,371	16,087
Remuneration of directors	-	19,414	19,414	-	17,294	17,294
Depreciation expenses	636,489	77,122	713,611	643,486	78,779	722,265
Amortization expenses	2,083	2,233	4,316	1,885	1,168	3,053

For the years ended December 31, 2022 and 2021, the average number of employees of the Corporation was 1,539 and 1,537, respectively, which included both 5 non-employee directors. The calculation basis is consistent with employee benefits expense.

For the years ended December 31, 2022 and 2021, the average employee benefits expense was \$811 thousand and \$766 thousand, respectively. For the years ended December 31, 2022 and 2021, the average employee salary was \$714 thousand and \$673 thousand, respectively. The average employee salary increased by 6% year-on-year.

The remuneration policies are based on the Corporation's operational conditions, the industry standard, and the organizational position, and may be adjusted based on the overall economy, industrial environment and government regulations. Compensation of individual employees is determined based on his/her role, experience, professional abilities, and individual performance. A reasonable and fair policy for performance appraisal is also set up as the basis for the promotions, rotations, compensation adjustments and year-end bonuses. In addition, the Corporation allocates a certain percentage of the total amount of performance bonus payable annually based on the Corporation's profit. After the amount is being reviewed

by the remuneration committee and the audit committee and approved by the board of directors, employees that meet certain performance standards will be paid according to their assessed performance. The remuneration of directors is made in accordance with the provisions of the Corporation. After the end of the year, the remuneration of directors is calculated in accordance with its regulations, and reported to the shareholders in their meeting after being reviewed by the remuneration committee and approved by the board of directors.

d. Compensation of employees and remuneration of directors

The Corporation accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Corporation's board of directors on March 10, 2023 and March 22, 2022, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2022</b>		<b>2021</b>	
	<b>%</b>	<b>Cash</b>	<b>%</b>	<b>Cash</b>
Compensation of employees	1.80%	\$ 44,457	1.70%	\$ 37,433
Remuneration of directors	0.79%	19,414	0.79%	17,294

If there is a change in the amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the year ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Corporation's board of directors in 2023 and 2022 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 164,514	\$ 176,733
Adjustments for prior year	8,193	6,565
Deferred tax		
In respect of the current year	<u>19,512</u>	<u>(3,563)</u>
Income tax expense recognized in profit or loss	<u>\$ 192,219</u>	<u>\$ 179,735</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Income tax expense calculated at the statutory rate	\$ 481,471	\$ 428,893
Nondeductible expenses in determining taxable income	51	20
Deductible items in determining taxable income	(315)	-
Unrecognized deductible temporary differences	(295,091)	(252,139)
Tax-exempt income	(2,090)	(3,604)
Adjustments for prior years' tax	<u>8,193</u>	<u>6,565</u>
Income tax expense recognized in profit or loss	<u>\$ 192,219</u>	<u>\$ 179,735</u>
b. Income tax recognized in other comprehensive income		

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Deferred tax		
In respect of current period		
- Remeasurement of defined benefit plans	<u>\$ (2,046)</u>	<u>\$ 204</u>

c. Deferred tax assets and liabilities

	<b>For the Year Ended December 31, 2022</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 629	\$ (629)	\$ -	\$ -
Others	<u>10,239</u>	<u>(6,347)</u>	<u>-</u>	<u>3,892</u>
	<u>\$ 10,868</u>	<u>\$ (6,976)</u>	<u>\$ -</u>	<u>\$ 3,892</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 24,283	\$ -	\$ -	\$ 24,283
Unrealized exchange benefits	-	10,717	-	10,717
Defined benefit obligation	<u>-</u>	<u>1,819</u>	<u>2,046</u>	<u>3,865</u>

<b>For the Year Ended December 31, 2022</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensi ve Income</b>	<b>Closing Balance</b>
	<u>\$ 24,283</u>	<u>\$ 12,536</u>	<u>\$ 2,046</u>	<u>\$ 38,865</u>
<b>For the Year Ended December 31, 2021</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensi ve Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 2,799	\$ (2,374)	\$ 204	\$ 629
Others	<u>4,302</u>	<u>5,937</u>	<u>-</u>	<u>10,239</u>
	<u>\$ 7,101</u>	<u>\$ 3,563</u>	<u>\$ 204</u>	<u>\$ 10,868</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	<u>\$ 24,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,283</u>

- d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$1,092,277 thousand and \$703,935 thousand, respectively.

- e. Income tax assessments

Income tax returns of the Corporation through 2020 have been assessed by the tax authorities.

## 23. EARNINGS PER SHARE

	<b>Net Profit Attributable to Owners of the Corporation</b>	<b>Number of Shares (In Thousands)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the year ended December 31, 2022</u>			

Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 2,215,138	287,786	<u>\$ 7.70</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>618</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 2,215,138</u>	<u>288,404</u>	<u>\$ 7.68</u>

For the year ended December 31, 2021

Basic earnings per share			
Net profit attributable to owners of the Corporation	\$ 1,964,731	287,786	<u>\$ 6.83</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>632</u>	
Diluted earnings per share			
Net profit attributable to owners of the Corporation adding effect of potentially dilutive ordinary shares	<u>\$ 1,964,731</u>	<u>288,418</u>	<u>\$ 6.81</u>

The Corporation may settle the compensation of employees in cash or shares; therefore, the Corporation assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 24. GOVERNMENT GRANTS

Except as disclosed in other notes, the following government grants were received by the Corporation:

As of December 31, 2022, according to the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” made by the government, the Corporation borrowed \$3,269,055 thousand from the National Development Fund with a preferential interest rate for its operation and purchase of equipment. The loan is expected to be settled within 5 to 7 years in equal installments. Using the prevailing market interest rates of 0.85%-1.97% for an equivalent loan, the fair value of the loan was estimated at \$3,180,194 thousand on initial recognition. The difference of \$88,861 thousand between the proceeds and the fair value of the loan is viewed as government grants derived from an interest-free loan and is recognized as deferred revenue, which will be subsequently transferred to profit or loss over time. For the year ended December 31, 2022 and 2021, the amount recognized in other revenue was \$15,530 and \$13,048 thousand and interest expense recognized on this loan was \$22,210 and \$19,133 thousand, respectively.

If the Corporation fails to comply the loan regulations, and the National Development Fund terminates the grants, the Corporation will pay the loan with the original agreed interest rate plus the annual interest rate.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that Corporation will be able to continue a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Corporation consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Corporation (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2022</u>				
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 19,599	\$ 19,599
Financial liabilities at fair value through profit or loss (FVTPL)				
Exchange rate swap contracts	\$ -	\$ 111	\$ -	\$ 111

	Level 1	Level 2	Level 3	Total
<u>December 31, 2021</u>				
Financial assets at fair value through other comprehensive income				
Equity investments				
Unlisted shares	\$ -	\$ -	\$ 24,894	\$ 24,894

There were no transfers between Level 1 and 2 in the current and prior years.



2) Valuation techniques-exchange rate swap contract and assumptions applied for fair value measurement

- a) The fair value of financial instruments with standard conditions and traded in active market, including listed shares and emerging market shares, is decided based on the market price.
- b) The fair values of foreign exchange forward contracts are determined using the discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- c) The unlisted equity investments at fair value through other comprehensive income are all measured at Level 3. The fair values of unlisted equity investments are determined using price-to-book ratio approach. In this approach, according to the financial information of the companies, both net book value per share calculated and share price estimated by comparing share price or P/E ratio with similar companies were used to capture the present value of the expected future economic benefits to be derived from the ownership of these investments.

3) Reconciliation of Level 3 fair value measurements of financial instruments

Financial assets at fair value through other comprehensive income - equity instruments

	<b>For the Year Ended December</b>	
	<b>31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 24,894	\$ 27,897
Recognized in other comprehensive income (included in unrealized gain (loss) on financial assets at FVTOCI)	(1,295)	(3,003)
Return of capital due to capital reduction of invested companies	<u>(4,000)</u>	<u>-</u>
Balance at December 31	<u>\$ 19,599</u>	<u>\$ 24,894</u>

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,256,069	\$ 911,993
Financial assets at amortized cost - current	214,970	-
Notes receivable and trade receivables	1,241,665	1,207,403
Financial assets at fair value through other comprehensive income - equity investments	19,599	24,894
Other receivables	16,098	17,341
Refundable deposits	30,920	29,616
<u>Financial liabilities</u>		
Hold for trading at FVTPL	111	-
Amortized cost		
Short-term borrowings	3,264,024	2,067,000
Short-term bills payable	1,700,000	1,200,000
Notes payable and trade payables	425,750	387,597
Bonds payable (including current portion)	5,995,479	5,993,313
Long-term borrowings (including current portion)	5,281,903	5,818,676
Other payables	488,641	385,920
Guarantee deposits received	4,250	4,250

c. Financial risk management objectives and policies

The Corporation's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings and bonds payable. The Corporation's corporate treasury function identifies and assesses the risks and manages market uncertainties with the objective of reducing the potentially adverse effects that market fluctuations may have on its financial performance. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Corporation's corporate treasury function evaluates, on a quarterly basis, whether the use of financial derivatives is governed by the Corporation's policies that were approved by the board of directors. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Corporation entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. There has been no change to the Corporation's exposure to market risks or the manner in which these risks are managed and measured.

Foreign currency risk

The Corporation has foreign currency denominated sales and purchases, which expose the Corporation to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts. The use of financial derivatives would reduce the influence of foreign exchange risk but could not completely eliminate the risk.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

#### Sensitivity analysis

The Corporation is mainly exposed to the USD and JPY.

The Corporation's sensitivity to a 1% increase and decrease in NTD (the functional currency) against the relevant foreign currencies represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The sensitivity analysis included external borrowings as well as loans to foreign operations within the Corporation where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. Assuming a 1% strengthening in the NTD against the USD, the pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$8,883 thousand and \$7,797 thousand, respectively. Assuming a 1% strengthening in the NTD against the JPY, the pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased by \$1,960 thousand and \$1,522 thousand, respectively.

#### Interest rate risk

The carrying amounts of the Corporation's financial assets and financial liabilities with exposure to interest rates were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 737,040	\$ 629,720
Financial liabilities	8,023,081	7,535,555
Cash flow interest rate risk		
Financial assets	733,562	281,760
Financial liabilities	8,545,927	7,885,676

#### Sensitivity analysis

The sensitivity analysis below was determined based on the Corporation's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.125% increase or decrease is used when reporting interest rate risk internally to key

management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been raised by 0.125% higher and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2022 and 2021 would decrease by \$9,765 thousand and \$9,505 thousand, respectively.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. At the end of the reporting period, the Corporation's maximum exposure to credit risk, which would cause a financial loss to the Corporation due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Corporation, is arising from:

- The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the guarantee being exercised.

Trade receivables consist of a large number of customers, which spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of trade receivables. The Corporation's concentrations of credit risk regarding top 5 customers were 51% and 49%, respectively, in total trade receivables as of December 31, 2022 and 2021. No other concentration of credit risk was observed.

## 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Corporation had available unutilized short-term bank loan facilities of \$13,356,520 thousand and \$13,130,381 thousand, respectively.

The following table has been drawn up based on the undiscounted cash flows of financial liabilities from the due date.

	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>December 31, 2022</u>			
Non-derivative financial liabilities			
Borrowings	\$ 4,683,581	\$ 3,862,346	\$ -
Short-term bills payable	1,700,000	-	-
Non-interest bearing liabilities	425,750	-	-
Bonds payable	2,999,633	2,995,846	-

Lease liabilities	<u>18,795</u>	<u>66,978</u>	<u>299,641</u>
	<u>\$ 9,827,759</u>	<u>\$ 6,925,170</u>	<u>\$ 299,641</u>
Derivative financial liabilities			
Foreign exchange forward contracts	<u>\$ 111</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>Less Than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>December 31, 2021</u>			
Non-derivative financial liabilities			
Borrowings	\$ 3,022,744	\$ 4,862,932	\$ -
Short-term bills payable	1,200,000	-	-
Non-interest bearing liabilities	387,597	-	-
Bonds payable	-	5,993,313	-
Lease liabilities	<u>18,735</u>	<u>70,514</u>	<u>314,739</u>
	<u>\$ 4,629,076</u>	<u>\$10,926,759</u>	<u>\$ 314,739</u>

Further information on the maturity analysis of the above financial liabilities was as follows:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10-15 Years</b>	<b>15-20 Years</b>	<b>20+ Years</b>
<u>December 31, 2022</u>						
Lease liabilities	<u>\$ 18,795</u>	<u>\$ 66,978</u>	<u>\$ 69,134</u>	<u>\$ 56,384</u>	<u>\$ 56,384</u>	<u>\$ 117,739</u>
<u>December 31, 2021</u>						
Lease liabilities	<u>\$ 18,735</u>	<u>\$ 70,514</u>	<u>\$ 72,956</u>	<u>\$ 56,383</u>	<u>\$ 56,384</u>	<u>\$ 129,016</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed in the other notes, details of transactions between the Corporation and its related parties were disclosed as follows:

### a. Related party name and category

<b>Related Party Name</b>	<b>Related Party Category</b>
Bon Trust	Subsidiary
Hon Chuan Cambodia	Subsidiary
Samoa Hon Chuan	Subsidiary
Hon Chuan (China) Holdings Co., Ltd. ("Hon Chuan China")	Subsidiary
Hon Chuan Asia	Subsidiary
Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	Subsidiary
Hon Chuan (Thailand) Co., Ltd. ("Hon Chuan Thailand")	Subsidiary
PT Hon Chuan Indonesia ("Hon Chuan Indonesia")	Subsidiary

<b>Related Party Name</b>	<b>Related Party Category</b>
Hon Chuan (Myanmar) Co., Ltd. (“Hon Chuan Myanmar”)	Subsidiary
Hon Chuan Vietnam Co., Ltd. (“Hon Chuan Vietnam”)	Subsidiary
Hon Chuan Malaysia	Subsidiary
Hon Chuan Enterprise (Suzhou) Company Limited (“Suzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Qingxin) Co., Ltd. (“Qingxin Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Zhangzhou) Co., Ltd. (“Zhangzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Chuzhou) Co., Ltd. (“Chuzhou Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Xiantao) Co., Ltd. (“Xiantao Hon Chuan”)	Subsidiary
Hon Chuan Food Packing (Taiyuan) Co., Ltd. (“Taiyuan Hon Chuan”)	Subsidiary
Hon Chuan FD Packaging Co., Ltd. (“Hon Fu Thailand”)	Subsidiary
Hon Shi Mozambique, Limitada (“Hon Shi Mozambique”)	Subsidiary
	(Concluded)

b. Business transaction

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Sales of goods</u>		
Subsidiary	\$ <u>59,963</u>	\$ <u>76,665</u>
<u>Purchases of goods</u>		
Subsidiary	\$ <u>20,233</u>	\$ <u>129,512</u>
<u>Operating costs and operating expenses</u>		
Subsidiary	\$ <u>158</u>	\$ <u>-</u>

The prices of raw materials and supplies, work in process and equipment parts sold by the Corporation to its subsidiaries are generally based on a markup of cost, and the price of the finished goods is adjusted according to the market price. Payment for the goods is made by telegraphic transfer within 180 days from the closing of the month.

The price of sales to related parties and collection terms approximated those for third parties.

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Accounts receivable</u>		

Subsidiary	\$ 11,413	\$ 20,958
<u>Prepayments</u>		
Subsidiary	\$ 565,694	\$ -
<u>Other receivables</u>		
Subsidiary	\$ 1,945	\$ 1,753
Shimada	647	610
Other	\$ 2,592	\$ 2,363
	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Accounts payable</u>		
Subsidiary	\$ 5,858	\$ 2,341
c. Acquisition of property, plant and equipment		
	<b>Get the Price</b>	
	<b>For the Year Ended December 31</b>	
<b>Related Party Category</b>	<b>2022</b>	<b>2021</b>
Subsidiary	\$ 26,200	\$ 3,156
d. Disposal of property, plant and equipment		
	<b>Get the Price</b>	
	<b>For the Year Ended December 31</b>	
<b>Related Party Category/Name</b>	<b>2022</b>	<b>2021</b>
Subsidiary		
Hon Fu Thailand	\$ -	\$ 2,570
e. Endorsements and guarantees (USD thousand)		
	<b>December 31</b>	
<b>Related Party Category/Name</b>	<b>2022</b>	<b>2021</b>
Subsidiaries		
Hon Chuan Indonesia	\$ 101,500	\$ 23,940
Hon Chuan China	40,000	40,000
Samoa Hon Chuan	10,000	10,000
Others	67,800	26,640
	\$ 219,300	\$ 100,580

f. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 71,165	\$ 58,072
Post-employment benefits	<u>103</u>	<u>157</u>
	<u>\$ 71,268</u>	<u>\$ 58,229</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Pledged deposits (classified as financial assets at amortized cost-current)	<u>\$ 214,970</u>	<u>\$ -</u>

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Corporation at December 31, 2022 and 2021 were as follows:

- a. As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$142,988 thousand and \$222,025 thousand, respectively.
- b. Unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Acquisition of property, plant and equipment	<u>\$ 1,059,669</u>	<u>\$ 955,559</u>

## 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:



December 31						
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets of monetary items</u>						
USD	\$ 34,700	30.71	\$ 1,065,637	\$ 28,972	27.68	\$ 801,945
JPY	853,073	0.23	196,207	634,286	0.24	152,229
<u>Investments accounted for using the equity method</u>						
USD	684,215	30.71	21,012,248	720,455	27.68	19,942,196
<u>Financial liabilities of monetary items</u>						
USD	5,773	30.71	177,289	804	27.68	22,255
JPY	855	0.23	197	109	0.24	26

The significant unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2022		2021	
	Exchange Rate	Net Foreign Exchange Gains(Losses)	Exchange Rate	Net Foreign Exchange Gains(Losses)
USD	29.81 (USD:NTD)	\$ 67,136	28.01 (USD:NTD)	\$ (9,371)
JPY	0.23 (JPY:NTD)	(13,544)	0.26 (JPY:NTD)	(15,281)
EUR	31.36 (EUR:NTD)	(7)	33.16 (EUR:NTD)	22
SGD	21.62 (SGD:NTD)	(1)	20.85 (SGD:NTD)	-
		<u>\$ 53,584</u>		<u>\$ (24,630)</u>

### 31. OTHER ITEMS

Environmental Protection Bureau of Taichung City Government (“Environmental Protection Bureau”), Environmental Protection Administration Executive Yuan, R.O.C. (Taiwan), and Taichung District Prosecutors Office (“Taichung Prosecutors Office”) collectively inspected the label factories of the Corporation and discovered that the air pollution control equipment was not functioning properly. As a result, Environmental Protection Bureau issued Letter No. 1070126655 with fine notifications No. 20-107-110002 and No. 20-107-110003 which amounted to \$20,200 thousand fine. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the current year. The Corporation appointed a lawyer to appeal for an administrative remedy. This case was denied by the Supreme Administrative Court on November 25, 2021, and the case was concluded.

Because of the abovementioned event, Environmental Protection Bureau issued Letter No. 1080045552 on May 2, 2019 for the air pollution charge of \$125,869 thousand from the third quarter of 2013 through the second quarter of 2018. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in the first half of 2019. The Corporation appointed a lawyer to appeal to Taichung High Administrative Court for administrative litigation. This case was denied by the Supreme

Administrative Court on November 17, 2022, and the case was concluded. The investigation of the case was closed by the Taichung District Prosecutors Office on September 20, 2019. In addition to ordering the Corporation to pay the unlawful income of \$77,299 thousand, which was the air pollution charge from the fourth quarter of 2010 through the second quarter of 2018, the prosecutors charged 19 persons, including the Corporation, for indictable offense due to violation of Air Pollution Control Act. The case underwent a trial in the Taichung District Court. The Corporation paid the fine and recognized the amount as other losses under non-operating income and expenses in 2019. The Taichung District Court ruled that the Corporation and the related defendants were guilty and the Corporation was fined \$23,500 thousand in June 22, 2022. The Corporation and its president, Hung-Chuan Dai, general manager, Hsih-Chung Tsao, and employee, Kun-Yu Tsai, have filed appeals within the legal period, and the rest of the verdict has been confirmed.

## **32. SEPARATELY DISCLOSED ITEMS**

### **a. Information about significant transactions and investees:**

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of costs or prices at least NT\$300 million or 20% of the paid-in capital. (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments. (Note 7)
- 10) Information on investees. (Table 6)

### **b. Information on investments in mainland China**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (None)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (None)
  - c) The amount of property transactions and the amount of the resultant gains or losses. (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (Table 2)
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)
- c. Information of major shareholders: list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: (None).

**TABLE 1**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
0	The Corporation	Shimada	Other receivable - related parties	Yes	\$ 1,945 (US\$ 63)	\$ 1,945 (US\$ 63)	\$ 1,945 (US\$ 63)	-	Business transaction	\$ 4,076 (US\$ 133)	Business transaction	\$ -	-	\$ -	\$ 4,076	\$ 6,060,633
		Hon Shi Mozambique	Other receivable - related parties	Yes	677 (US\$ 22)	648 (US\$ 21)	648 (US\$ 21)	-	Business transaction	677 (US\$ 22)	Business transaction	-	-	-	677	6,060,633
1	Samoa Hon Chuan	Hon Chuan Cambodia	Receivable from related parties	Yes	18,426 (US\$ 600)	18,426 (US\$ 600)	18,426 (US\$ 600)	1.51%- 6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Hon Chuan China	Receivable from related parties	Yes	3,151,460 (US\$ 102,620)	3,151,460 (US\$ 102,620)	3,151,460 (US\$ 102,620)	1.51%- 6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Shimada	Other receivable - related parties	Yes	6,256 (US\$ 204)	6,256 (US\$ 204)	6,256 (US\$ 204)	-	Business transaction	8,074 (US\$ 263)	Business transaction	-	-	-	8,074	8,385,363
		Hon Shi Mozambique	Other receivable - related parties	Yes	1,437 (US\$ 47)	1,437 (US\$ 47)	1,437 (US\$ 47)	-	Business transaction	6,491 (US\$ 211)	Business transaction	-	-	-	6,491	8,385,363
		Honly Food & Beverage Co., Ltd. ("Honly Food")	Receivable from related parties	Yes	4,299 (US\$ 140)	-	-	1.51%- 2.30%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
		Hon Chuan Vietnam	Receivable from related parties	Yes	122,840 (US\$ 4,000)	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	1.51%- 6.53%	Short-term financing	-	Operating Capital	-	-	-	8,385,363	8,385,363
2	Kai Gang Industries Limited ("Kai Gang")	Hon Chuan China	Receivable from related parties	Yes	92,130 (US\$ 3,000)	-	-	1.51%- 6.53%	Short-term financing	-	Operating Capital	-	-	-	2,304,647	2,304,647
3	Hon Hsing (Samoa) Holding Limited ("Samoa Hon Hsing")	Hon Chuan China	Receivable from related parties	Yes	399,230 (US\$ 13,000)	-	-	1.51%- 1.85%	Short-term financing	-	Operating Capital	-	-	-	1,909,497	1,909,497
4	Suzhou Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	88,189 (RMB 20,000)	68,346 (RMB 15,500)	68,346 (RMB 15,500)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Luohe Hon Chuan	Receivable from related parties	Yes	44,976 (RMB 10,200)	-	-	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Qingxin Hon Chuan	Receivable from related parties	Yes	44,094 (RMB 10,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Suzhou Hongxin	Receivable from related parties	Yes	37,480 (RMB 8,500)	30,866 (RMB 7,000)	30,866 (RMB 7,000)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	39,685 (RMB 9,000)	39,685 (RMB 9,000)	39,685 (RMB 9,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	389,384	389,384
5	Changsha Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	162,267 (RMB 36,800)	83,779 (RMB 19,000)	83,779 (RMB 19,000)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Luohe Hon Chuan	Receivable from related parties	Yes	37,480 (RMB 8,500)	15,433 (RMB 3,500)	15,433 (RMB 3,500)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Qingxin Hon Chuan	Receivable from related parties	Yes	163,149 (RMB 37,000)	88,189 (RMB 20,000)	88,189 (RMB 20,000)	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Suzhou Hongxin	Receivable from related parties	Yes	11,024 (RMB 2,500)	-	-	2.50%- 2.80%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	70,551 (RMB 16,000)	70,551 (RMB 16,000)	70,551 (RMB 16,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	386,159	386,159

(Continued)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount (Note 5)	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 1 and 3)	Aggregate Financing Limits (Notes 2 and 3)
													Item	Value		
6	Hon Chuan Food Packing (Jinan) Co., Ltd. (“Jinan Hon Chuan”)	Chuzhou Hon Chuan	Receivable from related parties	Yes	\$ 235,905 (RMB 53,500)	\$ 125,669 (RMB 28,500)	\$ 125,669 (RMB 28,500)	2.50%-2.80%	Short-term financing	\$ -	Operating Capital	\$ -	-	\$ -	\$ 657,183	\$ 657,183
		Xiantao Hon Chuan	Receivable from related parties	Yes	8,819 (RMB 2,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Luohe Hon Chuan	Receivable from related parties	Yes	111,118 (RMB 25,200)	22,929 (RMB 5,200)	22,929 (RMB 5,200)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Qingxin Hon Chuan	Receivable from related parties	Yes	176,378 (RMB 40,000)	176,378 (RMB 40,000)	176,378 (RMB 40,000)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	17,638 (RMB 4,000)	17,638 (RMB 4,000)	17,638 (RMB 4,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	657,183	657,183
7	Taiyuan Hon Chuan	Chuzhou Hon Chuan	Receivable from related parties	Yes	178,582 (RMB 40,500)	31,748 (RMB 7,200)	31,748 (RMB 7,200)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Luohe Hon Chuan	Receivable from related parties	Yes	119,937 (RMB 27,200)	83,779 (RMB 19,000)	83,779 (RMB 19,000)	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	13,228 (RMB 3,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
		Qingxin Hon Chuan	Receivable from related parties	Yes	30,866 (RMB 7,000)	-	-	2.50%-2.80%	Short-term financing	-	Operating Capital	-	-	-	706,695	706,695
8	Zhangzhou Hon Chuan	Xiantao Hon Chuan	Receivable from related parties	Yes	13,228 (RMB 3,000)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
		Chuzhou Hon Chuan	Receivable from related parties	Yes	85,984 (RMB 19,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
		Luohe Hon Chuan	Receivable from related parties	Yes	15,433 (RMB 3,500)	-	-	2.80%	Short-term financing	-	Operating Capital	-	-	-	339,349	339,349
9	Xiantao Hon Chuan	Luohe Hon Chuan	Receivable from related parties	Yes	26,457 (RMB 6,000)	26,457 (RMB 6,000)	26,457 (RMB 6,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450
		Zhangzhou Hon Chuan	Receivable from related parties	Yes	26,457 (RMB 6,000)	26,457 (RMB 6,000)	26,457 (RMB 6,000)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450
		Chuzhou Hon Chuan	Receivable from related parties	Yes	24,252 (RMB 5,500)	24,252 (RMB 5,500)	24,252 (RMB 5,500)	2.50%	Short-term financing	-	Operating Capital	-	-	-	185,450	185,450

Note 1: The financing for operation should not exceed the amount of transaction amounts; the short-term financing should not exceed 40% of the latest net assets of the subsidiaries.

Note 2: The maximum amount is 40% of the latest net assets of the subsidiaries

Note 3: Offshore subsidiaries whose voting share are 100% held, directly or indirectly, by the Corporation will not be subjected to the restriction on 40% of the latest net assets of the Corporation.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

(Concluded)

**TABLE 2**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 1 and 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity In Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 2 and 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on behalf of Companies in Mainland China
		Name	Relationship										
0	The Corporation	Samoa Hon Chuan	(Note 4)	\$ 7,575,792	\$ 307,100 (US\$ 10,000)	\$ 307,100 (US\$ 10,000)	\$ -	\$ -	2	\$ 15,151,583	Y	-	-
		Hon Chuan Asia	(Note 4)	7,575,792	175,047 (US\$ 5,700)	153,550 (US\$ 5,000)	-	-	1	15,151,583	Y	-	-
		Hon Chuan Indonesia	(Note 4)	7,575,792	3,117,065 (US\$ 101,500)	3,117,065 (US\$ 101,500)	184,868 (US\$ 6,020)	-	21	15,151,583	Y	-	-
		Bon Trust	(Note 4)	7,575,792	213,127 (US\$ 6,940)	208,828 (US\$ 6,800)	-	-	1	15,151,583	Y	-	-
		Xiantao Hon Chuan	(Note 4)	7,575,792	30,710 (US\$ 1,000)	-	-	-	-	15,151,583	Y	-	Y
		Chuzhou Hon Chuan	(Note 4)	7,575,792	522,070 (US\$ 17,000)	522,070 (US\$ 17,000)	245,680 (US\$ 8,000)	-	3	15,151,583	Y	-	Y
		Zhangzhou Hon Chuan	(Note 4)	7,575,792	460,650 (US\$ 15,000)	460,650 (US\$ 15,000)	307,880 (US\$ 10,025)	-	3	15,151,583	Y	-	Y
		Hon Chuan China	(Note 4)	7,575,792	1,228,400 (US\$ 40,000)	1,228,400 (US\$ 40,000)	-	-	8	15,151,583	Y	-	-
		Samoa Hon Hsing	(Note 4)	7,575,792	552,780 (US\$ 18,000)	552,780 (US\$ 18,000)	-	-	4	15,151,583	Y	-	-
		Hon Chuan Myanmar	(Note 4)	7,575,792	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	63,565 (US\$ 2,070)	-	1	15,151,583	Y	-	-
		Hon Chuan Malaysia	(Note 4)	7,575,792	92,130 (US\$ 3,000)	92,130 (US\$ 3,000)	-	-	1	15,151,583	Y	-	-
1	Hon Chuan Thailand	Hon Fu Thailand	(Note 4)	912,750	26,823 (THB 30,000)	26,823 (THB 30,000)	1,788 (THB 2,000)	-	0.2	1,825,499	Y	-	-

Note 1: The maximum is 50% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 2: The maximum is 100% of the net assets of the Corporation and subsidiaries in the latest financial report.

Note 3: The maximum amount of the total guarantee for all group entities is 100% of the net assets of the Corporation and subsidiaries.

Note 4: Investees which the Corporation directly and indirectly holds more than 50% percent of the voting shares.

Note 5: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

**TABLE 3****TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2022****(In Thousands of Dollars, Unless Otherwise Specified)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022			
				Number of Shares	Carrying Amount (Note 1)	Percentage of Ownership (%)	Fair Value (Note 1)
The Corporation	<u>Share Capital</u> CDIB CME Fund Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,800,000	\$ 10,954	2	\$ 10,954
	Lightel Technologies Inc.	-	Financial assets at fair value through other comprehensive income - non-current	551,051	8,645	2.8	8,645
Samoa Hon Chuan	<u>Corporate Bonds</u> Garden Fresh (HK) Fruit & Vegetable Co., Limited	-	Financial instruments at fair value through profit or loss - current	-	-	-	-
Hon Chuan Thailand	<u>Share Capital</u> Ichitan Group Public Company Limited	-	Financial assets at fair value through other comprehensive income - non-current	1,000,000	10,103 ( THB 11,300 )	0.08	10,103 ( THB 11,300 )

Note 1: The information about fair value please see Note 26.

Note 2: Information on investees, please see Tables 6 and 7.

Note 3: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

**TABLE 4**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Ending Balance	
					Number of Shares	Amount (Note 1)	Number of Shares	Amount	Number of Shares	Amount (Notes 1 and 3)
Samoa Hon Hsing	Chuzhou Hon Chuan	Investments accounted for using equity method	-	Parent - subsidiary	-	\$ -	-	\$ 368,520 (US\$ 12,000)	-	\$ 437,495 (US\$ 14,246)

Note 1: Amount includes investment income/loss recognized under equity method and cumulative translation adjustment.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.



**TABLE 5****TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2022****(In Thousands of Dollars, Unless Otherwise Specified)**

Company Name	Related Party	Relationship	Ending Balance (Notes 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Samoa Hon Chuan	Hon Chuan China	(Note 2)	\$ 3,218,377 (US\$ 104,799)	-	\$ -	Depend on the operation	\$ -	\$ -
Hon Chuan Asia	Hon Chuan Myanmar	(Note 2)	109,604 (US\$ 3,569)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Qingxin Hon Chuan	(Note 2)	176,377 (RMB 40,000)	-	-	Depend on the operation	-	-
Jinan Hon Chuan	Chuzhou Hon Chuan	(Note 2)	125,669 (RMB 28,500)	-	-	Depend on the operation	24,252 (RMB 5,500)	-

Note 1: Including trade receivables, other receivables, receivable from related parties.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

**TABLE 6**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2020	Shares	%	Carrying Amount			
The Corporation	Samoa Hon Chuan Bon Trust	Samoa Taichung	Overseas reinvested holding company Overseas reinvested holding company and international trade	\$ 15,383,151 9,990	\$ 16,254,813 9,990	501,824,319 999,000	100 99.90	\$ 20,869,722 23,422	\$ 1,480,870 10,461	\$ 1,480,870 10,450	Subsidiary Subsidiary
	Hon Chuan Cambodia	Cambodia	Manufacture and sale of PET bottles	76,585	76,585	1,000	100	65,520	(5,545)	(5,545)	Subsidiary
	Hon Chuan Philippines	Philippines	Manufacture and sale of plastic caps and PET bottles	91,125	91,125	15,000,000	100	77,006	131	131	Subsidiary
Samoa Hon Chuan	Hon Chuan China	Cayman Island	Overseas reinvested holding company	5,824,121 (US\$ 189,649)	6,208,334 (US\$ 202,160)	135,971,513	96.236	7,455,129 (US\$ 242,759)	362,637 (US\$ 12,167)	(Note 1)	Indirect subsidiary
	Hon Chuan Asia	Cayman Island	Overseas reinvested holding company	7,287,729 (US\$ 237,308)	7,827,303 (US\$ 254,878)	235,593,480	100	8,903,443 (US\$ 289,920)	1,078,226 (US\$ 36,176)	(Note 1)	Indirect subsidiary
	Hon Chuan Africa	Samoa	Overseas reinvested holding company	414,124 (US\$ 13,485)	414,124 (US\$ 13,485)	13,485,118	100	440,750 (US\$ 14,352)	(18,747) (US\$ 629)	(Note 1)	Indirect subsidiary
	Paeon Company	Seychelles	Overseas reinvested holding company	28,806 (US\$ 938)	28,806 (US\$ 938)	937,500	23.08	12,929 (US\$ 421)	(10,253) (US\$ 344)	(Note 1)	Investments accounted for using equity method
Hon Chuan China	Kai Gang	Hong Kong	Overseas reinvested holding company	3,883,587 (US\$ 126,460)	3,975,717 (US\$ 129,460)	1,021,023,676	100	5,880,044 (US\$ 191,470)	421,085 (US\$ 14,128)	(Note 1)	Indirect subsidiary
	Samoa Hon Hsing	Samoa	Overseas reinvested holding company	3,494,982 (US\$ 113,806)	3,894,212 (US\$ 126,806)	113,806,000	100	4,841,370 (US\$ 157,648)	99,131 (US\$ 3,326)	(Note 1)	Indirect subsidiary
Hon Chuan Asia	Hon Chuan Thailand	Thailand	Manufacture and sale of plastic caps and PET bottles	1,274,404 (US\$ 41,498)	1,274,404 (US\$ 41,498)	137,000,000	100	1,868,918 (US\$ 60,857)	217,904 (US\$ 7,311)	(Note 1)	Indirect subsidiary
	Hon Chuan Indonesia	Indonesia	Manufacture and sale of plastic caps, labels, PET bottles and beverage filling OEM service	4,264,790 (US\$ 138,873)	4,264,790 (US\$ 138,873)	98,575,783	100	4,691,014 (US\$ 152,752)	532,138 (US\$ 17,854)	(Note 1)	Indirect subsidiary
	Hon Chuan Vietnam	Vietnam	Manufacture and sale of plastic caps and PET bottles	982,720 (US\$ 32,000)	982,720 (US\$ 32,000)	-	100	1,299,064 (US\$ 42,301)	135,881 (US\$ 4,559)	(Note 1)	Indirect subsidiary
	Hon Chuan Malaysia	Malaysia	Manufacture and sale of plastic caps and PET bottles	801,500 (US\$ 26,099)	801,500 (US\$ 26,099)	81,259,900	100	585,118 (US\$ 19,053)	75,615 (US\$ 2,537)	(Note 1)	Indirect subsidiary
	Hon Chuan Myanmar	Myanmar	Manufacture and sale of plastic caps, PET bottles and LDPE membrane	730,468 (US\$ 23,786)	730,468 (US\$ 23,786)	89,524,394	70	472,565 (US\$ 15,388)	143,422 (US\$ 4,812)	(Note 1)	Indirect subsidiary
	Samoa Honly	Samoa	Overseas reinvested holding company	444,220 (US\$ 14,465)	444,220 (US\$ 14,465)	69,854,780	100	107,270 (US\$ 3,493)	(21,132) (US\$ 709)	(Note 1)	Indirect subsidiary
	Honly	Cambodia	Overseas reinvested holding company	55,401 (US\$ 1,804)	55,401 (US\$ 1,804)	1,002	49	55,432 (US\$ 1,805)	3,368 (US\$ 113)	(Note 1)	Indirect subsidiary
	Hon Hua (Samoa) Holding Limited	Samoa	Overseas reinvested holding company and international trade	222,955 (US\$ 7,260)	248,751 (US\$ 8,100)	7,260,000	60	220,559 (US\$ 7,182)	29,030 (US\$ 974)	(Note 1)	Indirect subsidiary
Hon Chuan Thailand	Hon Fu Thailand	Thailand	Manufacture and sale of labels and PET bottles	\$ 113,248 (THB 126,662)	\$ 113,248 (THB 126,662)	12,666,225	65	140,288 (THB 156,906)	19,180 (THB 22,420)	(Note 1)	Indirect subsidiary
Samoa Honly	Honly Food	Cambodia	Beverage filling	551,767 (US\$ 17,967)	551,767 (US\$ 17,967)	17,966,248	100	107,116 (US\$ 3,488)	(21,072) (US\$ 707)	(Note 1)	Indirect subsidiary
Hon Chuan Africa	Hon Shi Samoa	Samoa	Overseas reinvested holding company	400,581 (US\$ 13,044)	400,581 (US\$ 13,044)	3,138,790	60	419,806 (US\$ 13,670)	(36,690) (US\$ 1,231)	(Note 1)	Indirect subsidiary
Hon Shi Samoa	Shimada	Mozambique	Manufacture and sale of plastic caps PET bottles and LDPE membrane	27,915 (US\$ 909)	27,915 (US\$ 909)	-	100	123,423 (US\$ 4,019)	(26,854) (US\$ 901)	(Note 1)	Indirect subsidiary
	Hon Shi Mozambique	Mozambique	Manufacture and sale of plastic caps	74,380 (US\$ 2,422)	74,380 (US\$ 2,422)	-	100	76,007 (US\$ 2,475)	(9,836) (US\$ 330)	(Note 1)	Indirect subsidiary
Hon hua	Uni Tun	Myanmar	Bottled water filling	4,238 (US\$ 138)	4,238 (US\$ 138)	-	100	10,441 (US\$ 340)	23,009 (US\$ 772)	(Note 1)	Indirect subsidiary

Note 1: Not applicable.

Note 2: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

Note 3: Information on investments in mainland China, please see Table 7.

**TABLE 7**

**TAIWAN HON CHUAN ENTERPRISE CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of Dollars, Unless Otherwise Specified)**

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment (Note 1)	Investment Gain (Loss) (Notes 2 and 5)	Carrying Amount as of December 31, 2022 (Notes 2 and 5)	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Suzhou Hon Chuan	Manufacture and sale of various plastic caps, labels and PET film	\$ 817,807 (US\$ 26,630)	(Note 1)	\$ 591,475 (US\$ 19,260)	\$ -	\$ -	\$ 591,475 (US\$ 19,260)	\$ (29,179)	96.236%	\$ (28,076)	\$ 908,876	\$ -
Qingxin Hon Chuan	Manufacture and sale of various plastic caps, labels, PET bottles and beverage filling OEM service	2,053,271 (US\$ 66,860)	(Note 1)	-	-	-	-	393,158	96.236%	378,374	2,347,983	-
Zhangzhou Hon Chuan	Manufacture and sale of PET bottles and beverage filling OEM service	921,300 (US\$ 30,000)	(Note 1)	196,605 (US\$ 6,402)	-	-	196,605 (US\$ 6,402)	3,875	96.236%	3,755	820,155	-
Suzhou Hongxin	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,412,660 (US\$ 46,000)	(Note 1)	753,193 (US\$ 24,526)	-	-	753,193 (US\$ 24,526)	(60,385)	96.236%	(58,120)	590,136	-
Jinan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	1,105,560 (US\$ 36,000)	(Note 1)	227,930 (US\$ 7,422)	-	-	227,930 (US\$ 7,422)	77,910	96.236%	74,989	1,329,490	-
Changsha Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	810,437 (US\$ 26,390)	(Note 1)	301,849 (US\$ 9,829)	-	-	301,849 (US\$ 9,829)	32,547	96.236%	31,325	960,241	-
Taiyuan Hon Chuan	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM service	614,200 (US\$ 20,000)	(Note 1)	333,388 (US\$ 10,856)	-	333,388 (US\$ 10,856)	-	14,217	96.236%	13,680	1,060,637	-
Chuzhou Hon Chuan	Manufacture and sale of plastic caps, preforms and caps	738,576 (US\$ 24,050)	(Note 1)	14,249 (US\$ 464)	-	-	14,249 (US\$ 464)	75,973	96.236%	73,112	843,769	-
Xiantao Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	460,650 (US\$ 15,000)	(Note 1)	23,831 (US\$ 776)	-	-	23,831 (US\$ 776)	(2,742)	96.236%	(2,623)	443,548	-
Luohe Hon Chuan	Manufacture and sale of various plastic caps, PET bottles and beverage filling OEM service	368,520 (US\$ 12,000)	(Note 1)	-	-	-	-	10,551	96.236%	10,164	379,386	-
Anyang Hon Chuan	Manufacture and sale of plastic caps	35,275 (RMB 8,000)	(Note 1)	-	-	-	-	(115)	96.236%	(111)	-	-
Quzhou Hon Chuan	Manufacture and sale of various plastic caps and PET bottles	291,745 (US\$ 9,500)	(Note 1)	-	-	-	-	-	96.236%	-	286,675	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 2,161,093 ( US\$ 70,371 )	\$ 9,084,356 ( US\$ 295,811 )	(Note 3)

Note 1: The Corporation invested in China through third parties.

Note 2: The Corporation recognized its equity in the investee’s net income on the basis of financial statements audited by the CPA member firm of the Corporation’s auditors.

Note 3: The regulation refers to “Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China” issued by the Investment Commission of the Ministry of Economic Affairs.

Note 4: The foreign-currency amounts were translated into New Taiwan dollars at the exchange rates prevailing on December 31, 2022.

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**STATEMENT 1****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Amount</b>
Cash on hand and petty cash	\$ <u>371</u>
Cash in banks	
Foreign currency deposits (Notes 1 and 2)	643,910
Demand deposits	89,652
Checking accounts	<u>66</u>
	<u>733,628</u>
Cash equivalent	
Investments with original maturities of 3 months or less	<u>522,070</u>
	<u>\$ 1,256,069</u>

Note 1: Including USD14,833 thousand, EUR70 thousand and JPY800,772 thousand.

Note 2: Foreign currency exchange rates: US\$1:NT\$30.71, EUR\$1:NT\$32.72 and JPY\$1:NT\$0.2324.

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF NOTES RECEIVABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Non-related parties	
Client (1)	\$ 28,846
Client (2)	16,305
Client (3)	15,454
Client (4)	11,973
Client (5)	7,968
Client (6)	7,630
Others (Note)	<u>53,982</u>
	<u>\$ 142,158</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF TRADE RECEIVABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Non-related parties	
Client A	\$ 183,166
Client B	171,326
Client C	132,875
Client D	56,949
Others (Note)	<u>544,500</u>
	1,088,816
Less: Allowance for impairment loss	<u>(722)</u>
	<u>1,088,094</u>
Related parties	
Hon Chuan Indonesia	2,633
Hon Chuan Thailand	3,869
Hon Shi Mozambique	3,655
Others (Note)	<u>1,256</u>
	<u>11,413</u>
	<u>\$ 1,099,507</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**STATEMENT 4****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Price (Note 1)</b>
Finished goods	\$ 457,135	\$ 639,309
Work in process	12,697	12,697
Raw materials and supplies	<u>514,345</u>	<u>514,117</u>
	<u>\$ 984,177</u>	<u>\$ 1,166,123</u>

Note 1: Market price is measured at the net realizable value of inventories.

Note 2: Inventories are not pledged as collateral.



## TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name	Balance, January 1, 2022			Decrease		Valuation	Balance, December 31, 2022			Accumulated Impairment	Guarantee or Pledge	Note
	Shares/Units	Fair Value	Percent %	Shares/Units	Fair Value	Fair Value	Shares/Units	Fair Value	Percent %	Loss	Situation	
Domestic unlisted shares												
CDIB CME Fund Ltd.	2,200,000	\$ 16,249	2.0	(400,000)	\$ (4,000)	\$ (1,295)	1,800,000	\$ 10,954	2.0	Note 1	Note 2	
Foreign unlisted shares												
Lightel Technologies Inc.	551,051	<u>8,645</u>	2.8	-	<u>-</u>	<u>-</u>	551,051	<u>8,645</u>	2.8	Note 1	Note 2	
		<u>\$ 24,894</u>			<u>\$ (4,000)</u>	<u>\$ (1,295)</u>		<u>\$ 19,599</u>				

Note 1: Financial assets at fair value through other comprehensive income; cumulative impairment is not applicable.

Note 2: Not pledged as collateral.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2022		Increase in Investment		Decrease in Investment		Other (Note 2)	Share of Profit (Loss) of Subsidiaries and Associates	Exchange Differences on Translating the Financial Statements of Foreign Operations	Balance at December 31, 2022			Net Assets Value (Note 1)	Original Investment Amount
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				Number of Shares	Ownership (%)	Amount		
Samoa Hon Chuan	530,250,483	\$ 19,802,388	-	\$ -	(28,426,164)	\$ (871,662)	\$ (1,639)	\$ 1,480,870	\$ 459,765	501,824,319	100	\$ 20,869,722	\$ 20,869,722	\$ 15,383,151
Bon Trust	999,000	28,904	-	-	-	-	(15,932)	10,450	-	999,000	99.9	23,422	23,422	9,990
Hon Chuan Cambodia	1,000	64,205	-	-	-	-	-	(5,545)	6,860	1,000	100	65,520	65,520	76,585
Hon Chuan Philippines	15,000,000	<u>75,603</u>	-	<u>-</u>	-	<u>-</u>	<u>-</u>	<u>131</u>	<u>1,272</u>	15,000,000	100	<u>77,006</u>	<u>77,006</u>	<u>91,125</u>
		<u>\$ 19,971,100</u>		<u>\$ -</u>		<u>\$ (871,662)</u>	<u>\$ (17,571)</u>	<u>\$ 1,485,906</u>	<u>\$ 467,897</u>			<u>\$ 21,035,670</u>	<u>\$ 21,035,670</u>	<u>\$ 15,560,851</u>

Note 1: Net asset value is mainly calculated based on the financial statements of the invested company and the shareholding ratio of the Corporation.

Note 2: Samoa Hon Chuan recognized the unrealized (gain) loss on its investments in equity instruments at fair value through other comprehensive income of its subsidiaries and remeasurements of the defined benefit liability; Bon Trust distributed cash dividends.

**STATEMENT 7****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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	<b>Balance at January 1, 2022</b>	<b>Additions</b>	<b>Balance at December 31, 2022</b>
Cost			
Land	\$ 382,513	\$ -	\$ 382,513
Machinery	<u>-</u>	<u>176</u>	<u>176</u>
	<u>382,513</u>	<u>\$ 176</u>	<u>382,689</u>
Accumulated depreciation			
Land	45,581	\$ 16,357	61,938
Machinery	<u>-</u>	<u>20</u>	<u>20</u>
	<u>45,581</u>	<u>\$ 16,377</u>	<u>61,958</u>
Net book value	<u>\$ 336,932</u>		<u>\$ 320,731</u>

**STATEMENT 8****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF SHORT-TERM BANK LOANS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

<b>Type</b>	<b>Maturity Date (Note)</b>	<b>Interest Rate (%)</b>	<b>Amount</b>
Secured Loans			
YUANTA Bank	2023.03.15	1.30-1.40	<u>\$168,000</u>
Unsecured bank loans			
Mizuho Bank Ltd.	2023.04.28	1.00-1.62	1,500,000
DBS Bank (Taiwan) Ltd	2023.01.30	1.87	500,000
OCBC Bank Singapore	2023.03.20	1.27	450,000
HSBC Bank	2023.03.28	1.53-1.64	348,000
Citi Bank	2023.02.21	1.49	250,000
YUANTA Bank	2023.03.15	1.30-1.40	<u>42,000</u>
			<u>3,090,000</u>
Loans for purchasing raw materials			
E.SUN Commercial Bank, Ltd.	2023.01.19	1.67	<u>6,024</u>
			<u>\$ 3,264,024</u>

Note: The maturity date listed is the last maturity date of multiple loans.

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.**

**STATEMENT OF SHORT-TERM BILLS PAYABLE**  
**DECEMBER 31, 2022**  
**(In Thousands of New Taiwan Dollars)**

Item	Financial Institution	Period	Interest Rate	Amount			Note
				Issuance Amount	Unamortized Amount	Carrying Amount	
Ta Ching Bills	Ta Ching Bills Finance Corporation	2022.12.07-2023.02.20	1.57%-1.60%	\$ 700,000	\$ -	\$ 700,000	-
SinoPac Bills	Bank SinoPac Co., Ltd.	2022.12.09-2023.01.13	1.46%-1.57%	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	-
				<u>\$ 1,700,000</u>	<u>\$ -</u>	<u>\$ 1,700,000</u>	

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF ACCOUNTS PAYABLE****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Non-related parties	
Company A	\$ 20,460
Others (Note)	<u>399,379</u>
	<u>419,839</u>
Related parties	
Hon Fu Thailand	5,210
Hon Chuan Vietnam	613
Others (Note)	<u>35</u>
	<u>5,858</u>
	<u>\$ 425,697</u>

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

TAIWAN HON CHUAN ENTERPRISE CO., LTD.

STATEMENT OF BONDS PAYABLE  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Bond Name	Trustee	Issuance Date	Interest Payment Date	Coupon Rate	Amount							Repayment Terms	Collateral	Note
					Total Amount	Repayment Paid	Balance, End of Year	Issuance Costs	Expired Within A Year	Expired After A Year	Carrying Value			
Taiwan Hon Chuan Enterprise Co., LTD. first unsecured bonds in 2018	Land Bank of Taiwan Co., Ltd	2018.04.27	Repayable on April 27; interest payable annually	1.07%	\$ 3,000,000	\$ -	\$ 3,000,000	\$ (367)	\$ 2,999,633	\$ -	\$ 2,999,633	Principal to be paid at maturity from the date of issuance	-	-
Taiwan Hon Chuan Enterprise Co., LTD. first unsecured bonds in 2021	Taipei Fubon Commercial Bank Co., Ltd.	2021.11.26	Repayable on November 26; interest payable annually	0.75%	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>(4,154)</u>	<u>-</u>	<u>2,995,846</u>	<u>2,995,846</u>	Principal to be paid at maturity from the date of issuance	-	-
					<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>	<u>\$ (4,521)</u>	<u>\$ 2,999,633</u>	<u>\$ 2,995,846</u>	<u>\$ 5,995,479</u>			

## TAIWAN HON CHUAN ENTERPRISE CO., LTD.

## STATEMENT OF LONG-TERM BANK LOANS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Type	Loan Term	Repayment Method	Interest Rates (%)	Current Portion of Long-term Bank Loans	Long-term Bank Loans	Total
Credit borrowings						
E.SUN Commercial Bank, Ltd.	2019.07.15-2026.07.15	Repayment of loan on the maturity date as stated in the contract	0.47	\$ 404,179	\$ 1,012,630	\$ 1,416,809
Hua Nan Commercial Bank, Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	0.975-1.175	540,785	447,366	988,151
Export-Import Bank of the Republic of China	2020.01.03-2025.01.03	Repayment of loan on the maturity date as stated in the contract	1.56	260,396	390,594	650,990
Yuanta Bank	2022.12.30-2023.01.03	Repayment of loan on the maturity date as stated in the contract	1.65	-	500,000	500,000
Taichung Commercial Bank Co., Ltd.	2022.12.30-2024.12.30	Repayment of loan on the maturity date as stated in the contract	1.81	-	300,000	300,000
Bank of Taiwan	2022.11.17-2023.01.17	Repayment of loan on the maturity date as stated in the contract	1.62	-	200,000	200,000
Mizuho Bank	2020.10.29-2023.10.23	Repayment of loan on the maturity date as stated in the contract	1.64	200,000	-	200,000
Taipei Fubon Commercial Bank Co., Ltd.	2019.10.31-2024.10.31	Repayment of loan on the maturity date as stated in the contract	1.20	14,197	11,756	25,953
				<u>1,419,557</u>	<u>2,862,346</u>	<u>4,281,903</u>
Bill of credit borrowings						
Taiwan Finance Corporation	2022.12.02-2023.01.03	Repayment of loan on the maturity date as stated in the contract	0.708	-	1,000,000	1,000,000
				<u>\$ 1,419,557</u>	<u>\$ 3,862,346</u>	<u>\$ 5,281,903</u>



**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF LEASE LIABILITIES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**


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<b>Item</b>	<b>Summary</b>	<b>Lease Term</b>	<b>Discount Rate (%)</b>	<b>Amount</b>	<b>Notes</b>
Land	Lease land	2005.12.14-2057.07.04	1.18%	\$ 327,446	-
Machinery	Lease machinery	2022.09.01-2025.08.31	1.18%	156	-
Less: current portion				<u>(15,031)</u>	
Lease liabilities - non-current				<u>\$ 312,571</u>	

**STATEMENT 14****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF NET SALES REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Quantities (In thousands of Units)</b>	<b>Amount</b>
Beverage filling	679,065 box/case	\$ 3,972,658
PET bottles (including PET preforms)	1,060,116 piece	2,133,584
Plastic caps	2,306,017 each	863,870
Aluminum closures	609,759 each	565,946
Labels	745,072 piece	352,388
Packing material of alcohol and tobacco	1,489 roll/piece	346,251
Others		<u>460,346</u>
Total		8,695,043
Less: Sales return		(5,528)
Sales discount		<u>(41,620)</u>
		<u>\$ 8,647,895</u>

**TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF COST OF GOODS SOLD  
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials and supplies, beginning of year	\$ 607,691
Raw material and supplies purchased	3,590,371
Sale of raw material and supplies	(6,701)
Others	(779,348)
Raw material and supplies, end of year	<u>(514,012)</u>
Raw material and supplies used	2,898,001
Direct labor	580,455
Manufacturing overhead	<u>2,748,233</u>
Manufacturing cost	6,226,689
Work in process, beginning of year	8,586
Work in process, end of year	<u>(12,697)</u>
Cost of finished goods	6,222,578
Finished goods, beginning of year	415,148
Finished goods purchased	420,751
Cost of goods sold of raw material and supplies	6,701
Cost of goods sold of inventory of supplies	9,038
Others	(20,647)
Finished goods, end of year	<u>(462,600)</u>
Cost of goods sold of finished goods	6,590,969
Income from sale of scrap	(43,730)
Reversal of write-down of inventories	(7,219)
Inventories scrapped	21,477
Inventories shortage	199
Income from tax refund	<u>(1,322)</u>
 Cost of goods sold	 <u><u>\$ 6,560,374</u></u>

**STATEMENT 16****TAIWAN HON CHUAN ENTERPRISE CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrati ve Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salaries and bonuses	\$ 106,061	\$ 185,488	\$ 50,726	\$ 342,275
Taxes	297,993	17,261	45	315,299
Miscellaneous expenses	40,456	24,493	16,825	81,774
Depreciation expenses	29,161	41,387	6,574	77,122
Export expenses	59,577	-	-	59,577
Others	<u>160,878</u>	<u>109,928</u>	<u>8,980</u>	<u>279,786</u>
	<u>\$ 694,126</u>	<u>\$ 378,557</u>	<u>\$ 83,150</u>	<u>\$ 1,155,833</u>

**6.6 Financial difficulties, if any, encountered by the Company and its affiliated companies in the most recent year and up to the publication of the annual report, and its impact on the Company's financial status:** None.

## **7. Review and Analysis of Financial Conditions and Performance and Risk Management**

### **7.1 Financial Status**

#### **Financial Status Analysis**

Unit: NTD\$ Thousand

Item \ Year	2022	2021	Increase (Decrease) Amount	Change Ratio (%)	Change Analysis
Current Assets	14,413,283	12,902,873	1,510,410	11.71	-
Property, Plant and Equipment	18,246,321	17,197,599	1,048,722	6.10	-
Intangible Assets	377,384	347,622	29,762	8.56	-
Other Assets	3,601,215	3,095,923	505,292	16.32	-
Total Assets	36,638,203	33,544,017	3,094,186	9.22	-
Current Liabilities	13,498,764	7,806,355	5,692,409	72.92	1
Non-current Liabilities	7,597,455	11,547,419	(3,949,964)	(34.21)	2
Total Liabilities	21,096,219	19,353,774	1,742,445	9.00	-
Capital Stock	2,877,859	2,877,859	0	0.00	-
Additional Paid-in Capital	5,395,572	5,395,572	0	0.00	-
Retained Earning	9,025,101	8,042,009	983,092	12.22	-
Non-controlling Equity	630,953	730,018	(99,065)	(13.57)	-
Other Equity	(2,387,501)	(2,855,215)	467,714	(16.38)	-
Treasury Shares	0	0	0	0	-
Total Equity	15,541,984	14,190,243	1,351,741	9.53	-

Please explain the variation reason for which exceeding 20%:

1. Increase in Current Liabilities: a. Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased.. b. (1) Because the Company built the plants, the short-term debt was increased to about NT\$ 878 million. (2) The long-term debt payable into the payback period and repay the long-term debt payable with short-term debt.
2. Decrease in Non-current Liabilities: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the non-current liabilities decreased.

## 7.2 Analysis of Financial Performance

### 7.2.1 Financial performance analysis

Unit: NT\$ Thousand

Year Item	2022	2021	Increase (Decrease) Amount	Change Ratio (%)	Change Analysis
Net Sales	24,696,308	21,382,534	3,313,774	15.50	-
Cost of Goods Sold	19,551,765	16,471,847	3,079,918	18.70	-
Gross Profit	5,144,543	4,910,687	233,856	4.76	-
Operating Expense	2,345,000	2,082,715	262,285	12.59	-
Profit From Operation	2,799,543	2,827,972	(28,429)	(1.01)	-
Non-operating Income and Expense	40,817	(122,999)	163,816	(133.18)	1
Profit Before Income Tax	2,840,360	2,704,973	135,387	5.01	-
Income Tax	563,176	676,615	(113,439)	(16.77)	-
Net Income	2,277,184	2,028,358	248,826	12.27	-
Other Comprehensive Income	437,957	(629,692)	1,067,649	(169.55)	2
Total Comprehensive Income of This Year	2,715,141	1,398,666	1,316,475	94.12	-

Please explain the variation reason for which exceeding 20%:

1. Increase in Non-operating Income and Expense: 1. As the U.S. dollar appreciated by nearly 10% in 2022 compared with 2021, the unrealized gain from the foreign currency denominated assets of the Company's account increased by about NT\$ 78,214 thousand compared to last year. 2. Due to increased Chinese government subsidies by approximately NT\$ 37,000 thousand in 2022. 3. The impairment of financial assets losses NT\$ 31,135 thousand, and the impairment of assets losses NT\$ 14,595 thousand in 2021. 4. Loss on disposal of property, plant, and equipment decreased by NT\$ 24,995 compared with 2021.
2. Increase in Other Comprehensive Income: Due to the influence of cumulative translation adjustment of this year.

### 7.2.2 Forecasts of sales volumes and supportive sources, its impact on the Company's financial and operational situations and action plan

The forecast of sales volumes is based upon industrial tendency, demand and supply conditions in food and beverage sectors, taking into consideration of sales of various products and clients' changes. For the coming year, we do not foresee any material changes and can properly cope with financial and business situations. For the sales volumes in the future, please refer to Page 4 "2022 Projected sales volume and its reference."

## 7.3 Analysis of Cash Flow

### 7.3.1 Liquidity Analysis within the last 2 years

Year Item	2022	2021	Different (%)
Cash Flow Ratio (%)	28.47	46.2	(38.38)
Cash Flow Adequacy Ratio (%)	93.23	91.2	2.23
Cash Re-investment Ratio (%)	5.57	5.36	3.92
1. The decline in Cash Flow Ratio: Because a 5-year corporate bond for an amount of 3 billion issued on April 27, 2018, is due on April 27, 2023, we reclassified it as liabilities due within one year. Thus, the current liabilities increased and the cash flow ratio decreased.			

### 7.3.2 Cash Liquidity Analysis for next year

Unit: NTD\$ Thousand

Cash Balance – Beginning (1)	Estimated Annual Net Cash Flow from Operating Activities (2)	Estimated Annual Cash Outflow (3)	Cash Balance (Deficit) (1)+(2)-(3)	Contingency Plans for Insufficient Cash	
				Investment Plan	Financial Plan
5,243,226	3,775,199	4,270,805	4,747,620	-	-
1. Cash liquidity analysis for next year: (1) Operating activities: Mainly arising from expected profits of 2023 business activities, which causes the inflow of net cash. (2) Investing activities: Expected increase of capital expenditures, which causes the outflow of net cash. (3) Financing activities: Plan to pay back the banks' loan, which causes the outflow of net cash. 2. Contingency plans for insufficient cash and liquidity analysis: Not applicable.					

## 7.4 The impact of material capital expenditure on financial business in the most recent year

### 7.4.1 Major Capital Expenditure and its Source of Capital

Unit: NTD\$ Thousand

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual Capital Expenditure	
				2022	2023
Hon Chuan	Equity fund & Bank loan	Finished before the 4th quarter of 2023	5,723,982	3,470,630	2,253,352

## 7.4.2 Impact on the financial and business conditions

In view of the gradual growth of beverage market, demographic dividend of emerging markets, continuous enhancement of consumption level, Hon Chuan distributed actively in Taiwan, South-east Asia and Africa. We invested new filling production lines for beverage, and new packaging production lines for beverage and food. Also, we have signed up long-term cooperation contracts with several prestigious beverage companies. The Company will consistently explore those potential emerging markets, through proprietorship or joint venture, to produce and sell beverage and other packaging materials for food and drinks. The niche market strategy is expected to lead the Company into a goal of sustainable management and development.

## 7.5 Re-investment policy in the most recent year, main reason for profit or loss resulted, its improvement plan, and next year's investment plan

### Analysis of Re-investment

Unit: NTD\$ Thousand

Explanation Item	Amount (Note)	Policy	Main Reason for Profit or Loss Resulted	Improvement Plan	Other Investment Plan in the Future
Hon Chuan Holding Limited	15,383,153	Expand great China, South-east Asia and Africa markets.	Cultivating in great China and South-east Asia markets becomes fruitful. The profit from investment in Hon Chuan Holding Limited stood at NT\$1,480,870 thousand in 2022.	Overseas markets are still full of opportunities and are expected to grow in a steady pace.	It depends on the actual operational requirements.

Note: For the investments exceeding 5% of authorized capital up to December 31, 2023.



## **7.6 Risk analysis and evaluation**

### **7.6.1 Interest rates, exchange rates, and inflation, their impact on the Company's profit or loss, and future countermeasures**

#### **7.6.1.1 The Impacts of interest rates, in the most recent fiscal year, on the Company's profit and loss, and the future countermeasures**

As the COVID-19 pandemic toward the end, the Russia-Ukraine war, global supply chain bottlenecks and accommodative Monetary Policy, commodity and service prices surged, and inflation skyrocketed. In order to combat high inflation, US Federal Reserve, Bank of England, and European Central Bank started to aggressively adopt tightening monetary policy in 2022. The Central Bank of Taiwan also followed their steps to gradually raised interest rates in Taiwan. The Majority of the Company's bank loan is denominated in New Taiwan Dollar. Also, It issued long-term fixed-rate corporate bond and commercial paper at low-interest rates in the past, effectively reducing the impact of rising interest rates. Given that the decline in inflation is not as expected, the major central banks may continue to adopt the tight monetary policy for a while. The Company will observe the influence in all aspects and take multiple financing instruments to control the financing cost within a relatively reasonable range.

#### **7.6.1.2 The Impacts of exchange rates in the most recent fiscal year on the Company's profit and loss, and the future countermeasures**

The Company has set up subsidiaries and plants in Mainland China, Southeast Asia and Africa, in which mainly target at domestic markets, so the export and outsourcing percentages are lower. Collections and payment are mainly trading with local currencies. The major exchange gains and losses are mainly the exchange gains and losses generated from the holdings of financial assets and debts valued in foreign currencies. Apart from adopting the natural hedging strategy by holding foreign debts to balance the foreign currency asset position, we also closely observe the international finance and exchange rate fluctuations, collect market information and timely grasp the trend of exchange rate fluctuations, in accordance with "Procedures for Financial Derivatives Transactions" to engage in hedging and timely avoid the risks associated with exchange rate fluctuations.

#### **7.6.1.3 The Impacts of inflation, in the most recent fiscal year, on the Company's profit and loss and the future countermeasures**

As the Company and its subsidiaries, in recent years, continued to develop the signing of mid and long-term strategic cooperation contracts with our clients, and this type of contract adopts floating prices to adjust the product prices flexibly, so the risks associated with the raw material price fluctuation can be reduced. In addition, the Company continues to promote lean management and factory automation to reduce the impact of inflation on the company's profit.

The following information is provided as a reference and comparison for the above-mentioned risks:

Unit: NTD\$ Thousand

Item / Year	2022	2021
Net foreign exchange gain (loss)	46,619	(27,602)
Net Sales	24,696,308	21,382,534
Profit from Operations	2,799,543	2,827,972
Profit before Income Tax	2,840,360	2,704,973
Interest revenue	54,553	52,197
Interest expense	180,780	138,183

### 7.6.2 The policies to engage in high-risk, high-leverage investments, lending funds to others, endorsements and guarantees, and the transactions of derivative products, the main reasons for profits and losses, and the future countermeasures

1. The Company has never engaged in any high-risk or high-leverage investments. In addition, providing endorsements/guarantees and engaging in derivative transactions are all in response to the operation needs and are handled according to the Company's "Regulations Governing the Acquisition and Disposal of Assets", "Operational Procedures for Lending Funds to Others", "Operational Procedures for Endorsements/Guarantees" and "the Procedures for Engaging in Derivatives transactions".
2. The transactions of derivatives products the Company and subsidiaries engaged in were to achieve the purposes of the risk aversion arising from foreign currency exchange rate fluctuation, and the relevant transactions were handled according to "Regulations Governing the Acquisition and Disposal of Assets" and "the Procedures for Engaging in Derivatives transactions", and were fully disclosed in the financial statements.

The net profits (losses) generated from engaging in the transaction of derivative products by the Company were as follows:

Unit: NTD\$ Thousand

Item	2022	2021
Gain (or Loss) on valuation of financial asset	28,200	(28,768)

### 7.6.3 Future Research and Development (R&D) Plans and the R&D expenses expected to be invested

For long-term development and quality improvement, the Company combines and integrated R&D technical team to reinforce our core competitiveness, sets up R&D technical group, cultivates professional talents, invests in R&D and technical tasks, uses the advanced equipment and information to develop products, collects the latest domestic and foreign packaging materials and beverage processing technologies, to meet our clients' needs in the market.

In 2022, the Company is expected to invest in the R&D expenditures equivalent to what was invested in the previous fiscal year; in the future, we will continue to invest in technology R&D to upgrade our competitive advantage. For the R&D plans in the most recent fiscal year, please refer to page 83.

#### **7.6.4 The Impacts of changes of the important domestic and foreign policies and laws on the company's finance and business, and the countermeasures**

The Company and subsidiaries pay constant attention to the variable information of major domestic and foreign policies and laws, regularly update regulatory changes by cooperating with external law consultants and professional consultants, in order to provide to its management team as reference and take actions with countermeasure, so there are no significant impacts on the Company's finance or business.

#### **7.6.5 The Impacts of Technology Changes(Including Cyber Security Risks) and Industry Changes on Our Company's Finance and Business, and the Countermeasures**

The Company and subsidiaries pay attention to the technology changes and technical development and evolution in our industry at all times. In recent years, the Company has continued to optimize and customize the ERP system and introduce ERP system to our new production line for providing useful data; in addition, we continuously develop the Business Process Management (BPM) System to digitize the Company's form process. The Company is currently planning to build a business intelligence platform to bring together company-wide data, information and knowledge for information integration and analysis. The Company also constantly improve product quality and manufacturing processes, grasp the latest development trends in the industry, through close cooperation process with the clients, and adopt prudent financial management strategies to maintain our market competitiveness. Meanwhile, to cope with the new cyber security threat, the Company has joined the Taiwan Computer Emergency Response Team (TWCERT) to receive information security notifications, strengthen hosts vulnerability repairs and introduce a protective tool and equipment to raise users' information security awareness and lower risk. In the future, the Company and subsidiaries will continue to pay attention to the change situation of the relevant technology in our industry, that we will also continue to upgrade our R&D capabilities, actively broaden the future market application fields, evaluate the impacts on our company's operation and make corresponding adjustment, to reinforce our company's and subsidiaries' business development and financial condition, so technology changes and industry changes have had no significant impacts on the Company and subsidiaries so far.

#### **7.6.6 The Impacts of Change of Corporate Image on the Enterprise Crisis Management and the Countermeasures**

The major clients of the Company and subsidiaries are mostly world-class international giants, and for many years, the Company and subsidiaries have adhered to the principles of business integrity and fulfilling our role in the industry, and pay attention to corporate image, so we could establish a professional image in the industry and win the affirmative reputation from the international giants. The Company and subsidiaries consider the promotion of social economy, upgrade of environmental prosperity and protection of employee welfare to be our priorities. As for the laws and regulations set by the competent authorities, we also strictly comply with. So far, the Company and subsidiaries have good corporate image and there has been no significant changes that would result in the circumstances of enterprise crisis management.

### **7.6.7 The Expected Benefits and Possible Risks to Engage in Mergers and Acquisitions (M&A) and the Countermeasures**

The Company and subsidiaries do not have plans to merge with or acquire other companies, and when we do have M&A plans in the future, we will carefully assess and consider the merger synergy in order to guarantee the existing shareholders' equities.

### **7.6.8 The Expected Benefits and Possible Risks to Expand the Plants and the Countermeasures**

#### **1. Expected Benefits:**

In view that currently consumers have increase their degree of attention on the quality and eco-friendly property of packaging materials, the Company and subsidiaries, in the recent years, have more actively developed aseptic filling technology and combined aseptic beverage filling technology, to form the integrated complete manufacturing process from the production of packaging materials to filling of beverage content, to provide the clients the comprehensive services with price competitiveness. The completely finished beverage products are shipped in whole boxes, so the wear and tear risks associated with the shipping of packaging materials purchased by the clients, and the capital, time and manpower, etc. wasted, setting up their own plants to perform filling operation, are effectively reduced. Currently, the Company and subsidiaries plan to extend the production territory of aseptic beverage filling from Taiwan, where the parent company is located, to China, South-east Asia markets, in order to reinforce the competitive advantage, of our company and subsidiary, in the international market.

The Company has also constantly developed the emerging markets with growth potential, either by sole ownership or joint venture, to produce and sell beverage and the packaging materials. Recently, there have been successively several markets that have reached the periods of fruitful results to be harvested, and the planning strategy for this niche market is expected to lead our company to move towards another epoch-making milestone.

#### **2. Possible Risks and Countermeasures:**

- (1) During the project construction period, the construction area causes inconvenience for the entering and exiting of personnel and vehicles and the goods allocation costs are also increased; and our company's countermeasures include hiring 24-hour full time security guards to monitor the entering and exiting of personnel and vehicles, separating passenger lanes completely from the driveways, and coordinating with supervision and occasional inspection by the Company's Labor Safety and Health department and the government's occupational safety unit.
- (2) To prevent the construction progress from going behind schedule, our company stipulates the construction progress in the contract with the contractors, sets the penalties, reviews weekly and adopts improvement measures, and saves the meeting minutes to facilitate the subsequent follow-up, to ensure the construction to be completely on schedule.

### **7.6.9 The Risks Faced with Concentrated Procurement and Sales, and the Countermeasures**

The Company and subsidiaries maintain flexibility in terms of the procurement of bulk raw materials by purchasing from several suppliers, so there are no risks arising from over concentration.

In terms of sales, our clients are mostly well-known domestic food and beverage giants with lower credit risks, in addition, the Company and subsidiaries continue to develop new clients and form partnership relationship with both domestic and foreign well-known food and beverage giants. So far there have been no risks arising from concentrated sales.

### **7.6.10 The impacts and risks arising from a major quantity of shares belonging to directors, supervisors, or shareholders holding greater than a 10 percent stake in the company is transferred or changes hands and the countermeasures: None.**

### **7.6.11 The impacts and risks arising from the change of management rights and the countermeasures: Not applicable.**

### **7.6.12 Litigation and Non-Litigation Events:**

The Company's significant litigations, non-litigations, and administrative litigations, which the judgments are already determined or still pending, of which the result could have material impacts on the shareholders' equities or the securities prices, the disputed facts, target amounts, the litigation starting dates, the main litigating parties, and the processing status up to the annual report printing date should be disclosed:

On September 11 and 20, 2018, the Environmental Protection Bureau of Taichung city government came to the Company for examining and auditing air pollution control issues in company with Taiwan Taichung District Prosecutors Office. Because the air pollution control equipment in the Label plant of the Company didn't reach the regulatory standards, emission amounts exceeded the contents of the license, and internal executive units didn't follow up the latest regulations update, which caused air pollution control fees under-reported for the past periods, the Environmental Protection Bureau of Taichung city government, by No. 1080045552 on May 2, 2019, had recalculated the fee from the 3rd quarter of 2013 to the 2nd quarter of 2018 in accordance with Article 75 of the Air Pollution Control Act and requested the Company to pay double the amount of the fee rates for pollution source emissions, which was in total NTD\$ 125,869,455 (has been recognized in the 2nd quarter financial report of 2019). The Company has sought for administrative relief against the Taichung High Administrative Court on November 1, 2019. The Taichung High Administrative Court decided against the Company on October 8, 2020. After the appeal, the Supreme Administrative Court ruled on November 17, 2022 that the Company's appeal was denied. Regarding the above-mentioned lack of environmental safety, the Company has completed the improvement after the event.

Due to the above incidents, the prosecutor from the Taiwan Taichung District Prosecutor's Office charged 19 people including the Company for violating the Air Pollution Control Act and the Offenses of Fraudulence of Criminal Code of the Republic of China and ordered the Company to pay NTD\$ 77,298,948 (has been recognized in the 3rd quarter financial report of 2019) for the unlawful income from the fourth quarter of 2010 to the second quarter of 2018. The Company and the related defendants were convicted and the Company was fined NT\$ 23.50 million by the Taiwan Taichung District Court in the first instance. The Company and Chairman Dai, Hung-Chuan, General manager, Tsao, Hsih-Chung and employee, Tsai, Kun-Shou have filed appeals within the legal period, and the entire case (Shang-Su-Zi No. 2499, Year 2022) is still being heard by the Taichung Branch Court of the Taiwan High Court. The rest of the verdict has been confirmed.

#### **7.6.13 Other important risks or countermeasures:**

In order to reduce the related risk of environmental protection, the Company takes some countermeasures as follows:

- Strengthen the internal propaganda and training courses of environmental protection regulation in every plant.
- In order to promptly update the related laws and regulations, Legal affairs office shall take responsible of announcing and propagandizing, and Auditing office shall take responsible of supervising, checking and auditing.
- The Company has recruited several Environmental safety Specialists, hired external consultants with professional and practical experience, and outsourcing consultant company of Environmental protection bureau, to assist itself to fully implement procedures related to occupational safety, environmental sanitation, and environmental protection law.
- Purchase related control equipment, make sure to comply with environmental protection law and fully carry out environmental protection policy.

#### **7.7 Other important Matters: None.**



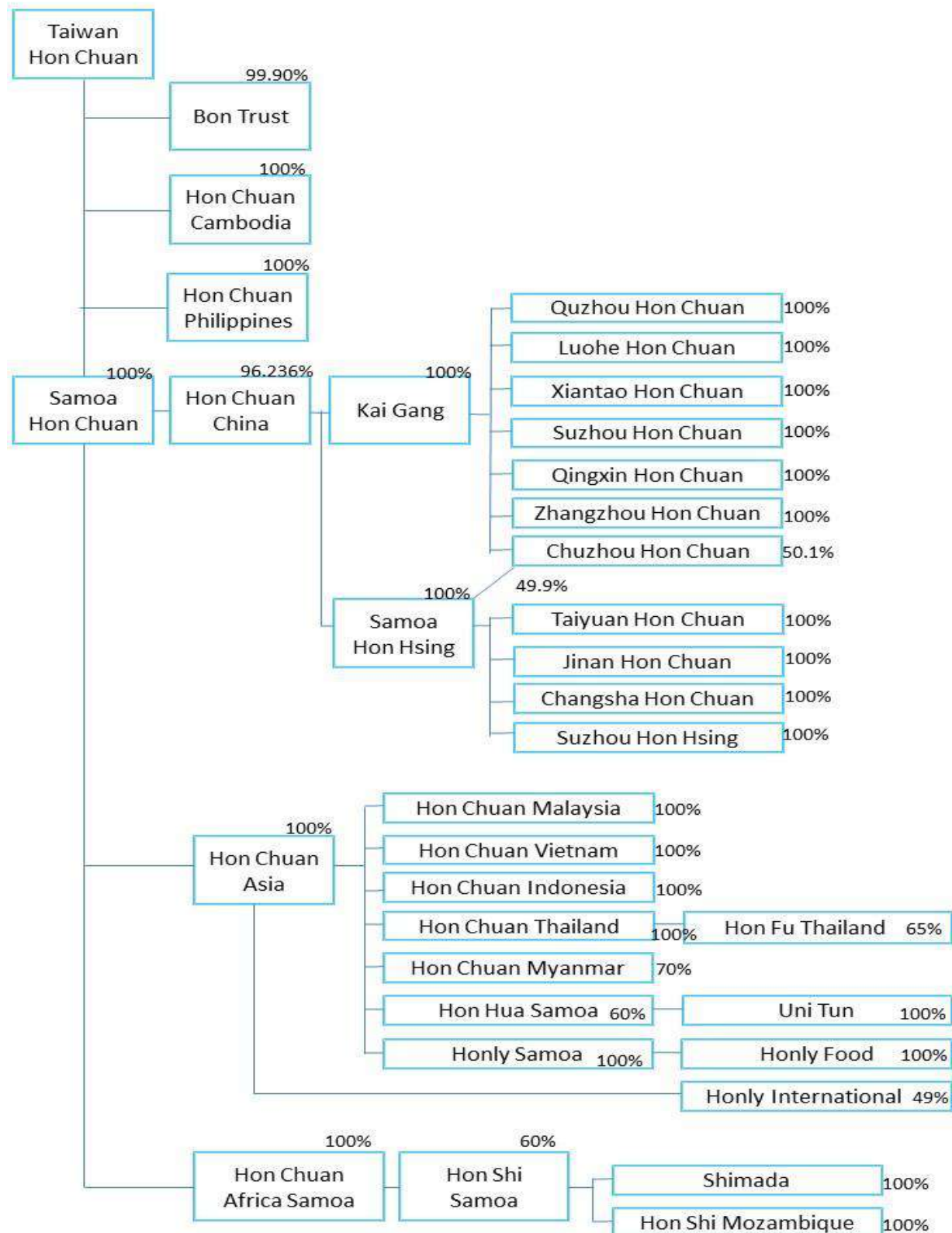
## 8. Special Disclosures

### 8.1 Summary of Affiliated Enterprises

#### 8.1.1 Consolidated Business Report of Affiliated Companies

##### 8.1.1.1 Affiliated Companies Chart

As of December 31, 2022



### 8.1.1.2 Summary of Affiliated Companies

Unit: NTD\$ Dollar

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Bon Trust International Trade Co., Ltd.	April 9, 2019	24F.-1, No. 218, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	TWD\$ 10,000,000	International Equity Investment and Trade Business
Hon Chuan Holding Limited	March 15, 2002	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 501,824,319	International Equity Investment
Hon Chuan (China) Holding Co., Ltd.	January 10, 2003	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman, KY1-1208, Cayman Island	USD\$ 14,128,861	International Equity Investment
Kai Gang Industries Limited	January 29, 1991	Suit 1801-5, 18/F, Tower 2., China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	USD\$ 127,462,424	International Equity Investment
Hon Hsing (Samoa) Holding Limited	June 18, 2002	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 113,806,000	International Equity Investment
Hon Chuan (Africa) Holdings Co., Ltd.	July 10, 2015	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 13,485,118	International Equity Investment
Hon Shi (Samoa) Holding Limited	October 15, 2015	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 5,231,316	International Equity Investment
Hon Chuan Enterprise (Suzhou) Company Limited	September 10, 1993	No.58 Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD\$ 26,630,000	Manufacture and sale of plastic caps, labels and PET film
Hon Chuan Food Packing (Qingxin) Co., Ltd.	May 18, 2009	No. M-05B YingFu Industrial Park, Taiping Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	USD\$ 66,860,000	Manufacture and sale of plastic caps, metal lug caps, PET bottles and beverage filling OEM
Suzhou Hongxin Food Packing Co., Ltd.	May 23, 2002	No.58A Yingbin Road, Luzhi Economic Development Zone Wuzhong Area, Suzhou City, China	USD\$ 46,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Enterprise (Changsha) Co., Ltd.	December 02, 2002	Chuangye Road, Ningxiang Economic Development Zone, Changsha City Hunan Province, China	USD\$ 26,390,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM



Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Hon Chuan Food Packing (Jinan) Co., Ltd.	January 10, 2003	Mingshui Economic Development, Shandong Province, China	USD\$ 36,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	December 11, 2002	State Level Tai Yuan Development Zone, Shan Xi, China	USD\$ 20,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Zhangzhou) Co., Ltd.	March 21, 2012	Xingtai Industrial Park of Changtai Economic Development Zone, Fujian province, PRC	USD\$ 30,000,000	Manufacture and sale of PET bottles and beverage filling OEM
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	October 16, 2013	No.1, Fuyang Road, Chengbei Industrial Park, Chuzhou City, Anhui Province, PRC	USD\$ 24,050,000	Manufacture and sale of plastic caps, preforms and caps
Hon Chuan Food Packing (Xiantao) Co., Ltd.	February 18, 2014	No.59, Gold Road West, Xiantao, Hubei, China	USD\$ 15,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Luohe) Co., Ltd.	June 22, 2017	South side, Yongchang Road Eastern section, Industrial Cluster Zone, Linyi County, Luohe City, Henan Province	USD\$ 12,000,000	Manufacture and sale of plastic caps, PET bottles and beverage filling OEM
Hon Chuan Food Packing (Quzhou) Co., Ltd.	December 15, 2022	Building 3, No. 111, Sixth Road, Donggang, Quzhou, Zhejiang, China	RMB\$ 9,500,000	Manufacture and sale of plastic caps, preforms and caps
HC (Asia) Holdings Co., Ltd.	June 02, 2005	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman, KY1-1208, Cayman Island	USD\$ 235,593,480	International Equity Investment
Hon Chuan (Thailand) Co., Ltd.	July 12, 2004	101/116 Moo20, Khlong Nung, Khlong Luang, Pathum 12120, Thailand	THB\$ 1,370,000,000	Manufacture and sale of plastic caps and PET bottles
Hon Chuan FD Packaging Co., Ltd.	January 17, 2005	695/4 M001, Banbund-Bankai Rd, Klongkew, Banbung Chonburi 20220 Thailand	THB\$ 194,865,000	Manufacture and sale of PET bottles and labels
PT Hon Chuan Indonesia	September 29, 2004	Delta Silicon V, jalan kenari raya Blok G2 No.1 & 17, Cikarang Pusat, Indonesia	IDR\$ 1,753,233,622,960	Manufacture and sale of plastic caps, labels and PET bottles and beverage filling OEM

Company Name	Date of Establishment	Address	Paid-in Capital	Major Business / Production Items
Hon Chuan Vietnam Co., Ltd.	October 17, 2007	No.29, VSIP II Street 7, Vietnam-Singapore Industrial Park II, Hoa Phu Ward, Thu Dau Mot Town, Binh Duong Province, Vietnam	VND\$ 898,608,224,899	Manufacture and sale of plastic caps and PET bottles
Hon Chuan Malaysia Sdn. Bhd.	August 11, 2010	PT. 29469, Lengkok Teknologi 3, Kawasan Perindustrian Tech Park @ Enstek, 71760 Bandar Enstek, Negeri Sembilan Darul Khusus	MYR\$ 81,259,900	Manufacture and sale of plastic caps and PET bottles
Hon Chuan (Myanmar) Co., Ltd.	June 27, 2013	Plot No. B-5, Mingaladon Industrial Park, Mingaladon Township, Yangon Region, The Republic of the Union of Myanmar	MMK\$ 32,278,529,792	Manufacture and sale of plastic caps, PET bottles and LDPE film
Hon Hua (Samoa) Holdings Limited	October 17, 2016	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 12,100,000	International Equity Investment and Trade Business
Uni Tun Co., Ltd.	November 08, 2016	No.525, Pyay Road, Hmawbi Township, Yangon, Myanmar	MMK\$ 186,938,598	Bottled water filling OEM
Honly Holding Co., Ltd.	January 30, 2014	Portcullis Chambers, P.O.Box 1225, Apia, Samoa	USD\$ 6,985,478	International Equity Investment
Honly International Co., Ltd.	January 30, 2015	No.44, National Road No.4, Group 5, Phum Trapeang Kol, Sangkat Kantouk, Khan Po Sen Chey, Phnom Penh, Cambodia	USD\$ 3,681,000	International Equity Investment
Honly Food & Beverage Co., Ltd.	July 21, 2014	House #44, Street National Road 4, Group 5, Trapeang Kol village, Kantouk commune, Po Sen Chey district, Phnom Penh	USD\$ 17,966,248	Beverage filling OEM
Hon Chuan (Cambodia) Co., Ltd.	July 16, 2019	House #44, Street National Road 4, Group5,Trapeang Kol Village, Kantouk Commune, Po Sen Chey District,Phnom Penh,Cambodia	USD\$ 2,500,000	Manufacture and sale of PET bottles
Hon Chuan (Philippines) Co., Ltd	Feb 3, 2020	Lot 3, Block 7 Light Industry&Science Park IV (LISP IV) Malvar, Batangas, Philippines	PHP\$ 150,000,000	Manufacture and sale of plastic caps and PET bottles
Shimada International Limitada	June 28, 2004	Rua de Sofala, No.173-Matola C Maputo-Mozambique	MZN\$ 360,000	Manufacture and sale of plastic caps, PET bottles and LDPE film
Hon Shi Mozambique Co., Ltd.	December 04, 2015	Parcela No.3379/R, En4, Chumene, Motola, Mozambique	MZN\$ 161,584,000	Manufacture and sale of plastic caps

### 8.1.1.3 Data of Common Shareholders of Treated-as Controlled Companies and Affiliates: None.

### 8.1.1.4 Affiliated company's Operating Results

Unit: NTD\$ Thousand

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit (Loss) (Note 2)	Net Profit (Loss) of the period (Note 2)
Hon Chuan Holding Limited	15,411,025	20,907,037	37,315	20,869,722	67,104	(57,698)	1,480,870
Bon Trust International Trade Co., Ltd.	10,000	73,802	50,356	23,446	477,782	(8,701)	10,461
Hon Chuan (Cambodia) Co., Ltd.	76,775	133,447	67,927	65,520	62,006	(4,861)	(5,545)
Hon Chuan (Philippines) Co., Ltd	81,645	92,427	15,421	77,006	0	(1,118)	131
Hon Chuan (China) Holding Co., Ltd.	433,897	10,966,604	3,219,891	7,746,713	(31,908)	(32,088)	362,638
Kai Gang Industries Limited	3,914,371	5,835,658	0	5,835,658	46	(222)	421,092
Hon Hsing (Samoa) Holding Limited	3,494,982	4,841,360	0	4,841,360	0	(112)	99,138
Hon Chuan (Africa) Holdings Co., Ltd.	414,128	440,761	0	440,761	3,280	3,260	(18,752)
Hon Shi (Samoa) Holding Limited	160,654	201,160	8,489	192,671	0	(21)	(36,686)
Hon Chuan Enterprise (Suzhou) Company Limited	817,807	1,044,963	100,545	944,418	476,986	(41,376)	(29,178)
Suzhou Hongxin Food Packing Co., Ltd.	1,412,660	677,606	64,398	613,208	364,401	(81,061)	(60,380)
Hon Chuan Enterprise (Changsha) Co., Ltd.	810,437	1,032,584	34,789	997,795	294,917	19,382	32,553
Hon Chuan Food Packing (Jinan) Co., Ltd.	1,105,560	1,446,003	64,503	1,381,500	909,978	93,001	77,925
Hon Chuan Food Packing (Taiyuan) Co., Ltd.	614,200	1,482,550	380,415	1,102,135	700,856	9,547	14,202

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit (Loss) (Note 2)	Net Profit (Loss) of the period (Note 2)
Hon Chuan Food Packing (Qingxin) Co., Ltd.	2,053,271	2,889,289	449,473	2,439,816	2,419,524	423,498	393,171
Hon Chuan Food Packing (Zhangzhou) Co.,Ltd.	921,300	1,390,360	538,119	852,241	470,444	24,088	3,889
Hon Chuan Food Packing (Chuzhou) Co., Ltd.	738,576	1,543,736	666,974	876,762	1,264,157	101,576	75,963
Hon Chuan Food Packing (Xiantao) Co., Ltd.	460,650	541,789	80,878	460,911	237,320	(1,837)	(2,728)
Hon Chuan Food Packing (Luohe) Co., Ltd.	368,520	563,807	169,586	394,221	400,694	18,335	10,555
Hon Chuan Food Packing (Quzhou) Co., Ltd.	291,745	297,900	0	297,900	0	0	0
HC (Asia) Holdings Co.,Ltd.	7,235,076	9,430,950	543,457	8,887,493	20,075	18,483	1,078,239
Hon Chuan (Thailand) Co., Ltd.	1,224,905	2,170,545	301,612	1,868,933	1,897,530	251,481	217,899
Hon Chuan FD Packaging Co., Ltd.	174,227	253,600	37,772	215,828	264,577	22,683	19,180
PT Hon Chuan Indonesia	3,445,104	5,519,345	829,376	4,689,969	3,283,616	698,521	532,157
Hon Chuan Vietnam Co., Ltd.	1,159,205	1,463,167	163,935	1,299,232	1,111,715	175,711	135,902
Hon Chuan Malaysia Sdn. Bhd.	544,359	675,675	90,570	585,105	609,831	88,366	75,603
Hon Chuan (Myanmar) Co., Ltd.	471,848	885,802	413,197	472,605	931,818	171,947	143,422
Hon Hua(Samoa) Holdings Limited	371,591	373,708	24,150	349,558	0	(42,267)	29,018
Uni Tun Co., Ltd.	2,733	37,152	26,718	10,434	119,431	25,378	22,995
Honly Holding Co., Ltd.	214,524	107,285	0	107,285	0	(36)	(21,121)
Honly International Co., Ltd.	113,044	118,718	5,578	113,140	0	(257)	3,359
Honly Food & Beverage Co., Ltd.	551,743	107,841	723	107,118	0	(23,863)	(21,085)

Company Name	Paid-in Capital (Note 1)	Total Assets (Note 1)	Total Liabilities (Note 1)	Total Equity (Note 1)	Sales (Note 2)	Gross Profit (Loss) (Note 2)	Net Profit (Loss) of the period (Note 2)
Shimada International Limitada	173	141,177	17,759	123,418	128,496	(27,028)	(26,843)
Hon Shi Mozambique Co., Ltd.	77,694	93,877	17,858	76,019	34,430	(11,003)	(9,823)

(Note 1) Foreign exchange rates (to NTD) for balance sheet amounts are as follows: USD: 30.71, RMB: 4.409434, THB: 0.894091, RP: 0.001965, VND: 0.00129, MYR: 6.698987, MMK: 0.014618, MZN: 0.480826, PHP: 0.5443.

(Note 2) Foreign exchange rates (average in 2022, to NTD) for income statement amounts are as follows: USD: 29.805, RMB: 4.430454, THB: 0.855493, RP: 0.001997, VND: 0.001252, MYR: 6.49901, MMK: 0.015409, MZN: 0.466776, PHP: 0.5398.

#### 8.1.1.5 Business scope conversing by all affiliated companies:

Please refer to the basic information of affiliated companies.

#### 8.1.1.6 Give explanations if there is mutual connections between affiliated companies: None.

### 8.1.1.7 Directors, Supervisors and Presidents of Affiliated Companies:

Unit: Share / %

Company	Title	Name or Representative	Shareholding	
			Share (Note)	%
Bon Trust International Trade Co., Ltd.	Director	Wang, Mei-Ying	1,000	0.1%
	Supervisor	Hsieh, I-Fang		
Hon Chuan Holding Limited	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Taiwan Hon Chuan Enterprise Co., Ltd.)	501,824,319	100%
Hon Chuan (China) Holding Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsih-Chung, (Representative of Hon Chuan Holding Limited)	135,970,513	96.236%
		● Dai, Hung- Chuan (Representative of Trans Victory Trading Limited)	5,318,100	3.764%
Kai Gang Industries Limited	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	1,021,023,676	100%
Hon Hsing (Samoa) Holding Limited	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan (China) Holding Co., Ltd.)	113,806,000	100%
Hon Chuan Enterprise (Suzhou) Company Limited	Director	Tsao, Hung-Yu, Liu, Yun-Chang, Liu, Li-Yuan (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Qingxin) Company Limited	Director	Fang, Yu-Lung, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Kai Gang Industries Limited)	-	100%
Suzhou Hong Xin Food Packing Company Limited	Director	Tsao, Hung-Yu, Liu, Li-Yuan, Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Enterprise (Changsha) Co., Ltd.	Director	Chang, Chun-Shu, Tsao Hsin-Wen, Liu, Yun-Chang (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Jinan) Company Limited	Director	Yen, Ching-Chuan, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Taiyuan) Company Limited	Director	Liu, Yun-Chang, Tsao Hsin-Wen, Yen, Ching-Chuan (Representative of Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Zhangzhou) Company Limited	Director	Yen, Ching-Chuan, Liu, Yun-Chang, Tsao, Chien-Hsia (Representative of Kai Gang Industries Limited and Hon Hsing (Samoa) Holding Limited )	-	100%
Hon Chuan Food Packing (Chuzhou) Company Limited	Director	Tsao, Chien-Hsia, Liu, Yun-Chang, Fang, Yu-Lung (Representative of Kai Gang Industries Limited and Hon Hsing (Samoa) Holding Limited)	-	100%
Hon Chuan Food Packing (Xiantao) Company Limited	Director	Tsao, Chien-Hsia, Liu, Yun-Chang, Fang, Yu-Lung (Representative of Kai Gang Industries Limited)	-	100%

Company	Title	Name or Representative	Shareholding	
			Share (Note)	%
Hon Chuan Food Packing (Luohe) Company Limited	Director	Liu, Yun-Chang, Hsieh, Hung-Lung, Chuang, Kuei-Ching (Representative of Kai Gang Industries Limited)	-	100%
Hon Chuan Food Packing (Quzhou) Company Limited	Director	Tsao, Chien-Hsia, Tsao Hsin-Wen, Fang, Yu-Lung (Representative of Kai Gang Industries Limited)		
HC (Asia) Holdings Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of Hon Chuan Holding Limited)	235,593,480	100%
Hon Chuan (Thailand) Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	137,000,000	100%
Hon Chuan FD Packaging Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of Hon Chuan (Thailand) Co., Ltd.)	12,666,225	65%
		● Kasem Deemaitree, Mrs.Chintana Assodrmitee (Representative of F&D)	6,820,275	35%
PT Hon Chuan Indonesia	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan, Li, Cho-Pin (Representative of HC (Asia) Holdings Co., Ltd.)	98,577,783	100%
	Supervisor	Liu, Yun-Chang		
Hon Chuan Vietnam Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	-	100%
Hon Chuan Malaysia Sdn. Bhd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung, Pai, Wen-Pin, Lai, Shen-Yuan, Ting, Chih-Hao, Li, Cheng-Yu (Representative of HC (Asia) Holdings Co., Ltd.)	81,259,900	100%
Hon Chuan (Myanmar) Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	89,524,394	70%
		● Daw Zin Mar Cho, Daw Aye Mya Aung (Representative of Pack Master Co., Ltd.)	38,367,597	30%
Honly Holding Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsieh-Chung (Representative of HC (Asia) Holdings Co., Ltd.)	69,854,780	100%
Honly International Co., Ltd.	Director	● Dai, Hung-Chuan, Tsao, Hsieh-Chung, Cheng, Ya-Wen, Dai, Hung-I, Tsao, Hung-Yu (Representative of HC (Asia) Holdings Co., Ltd.)	1,002	49%

Company	Title	Name or Representative	Shareholding	
			Share (Note)	%
		● Chuang, Savy	1,043	51%
Honly Food & Beverage Co., Ltd.	Director	Yen, Ching-Chuan (Representative of HC (Asia) Holdings Co., Ltd.)	17,966,248	100%
Hon Chuan (Cambodia) Co., Ltd.	Director	Pai, Wen-Pin, Tung, Chan-We (Representative of Taiwan Hon Chuan Enterprise Co., Ltd.)	1,000	100%
Hon Chuan (Philippines) Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	15,000,000	100%
Hon Chuan (Africa) Holdings Co., Ltd.	Director	Dai, Hung-Chuan, Tsao, Hsih-Chung (Representative of Hon Chuan Holding Limited)	13,485,118	100%
Hon Shi (Samoa) Holding Limited	Director	● Dai, Hung-Chuan, Tsao, Hsih-Chung, Fang, Yu-Lung (Representative of Hon Chuan (Africa) Holdings Co., Ltd.)	3,138,790	60%
		● Roy Debabrata, Huang, Yu-Hwa	2,092,526	40%
Shimada International Limitada	Director	● Fang, Yu-Lung, Huang, Kuan-Jen, Tsao, Hung-Yu (Representative of Hon Chuan (Africa) Holdings Co., Ltd.)	-	60%
		● Roy Debabrata, Huang, Yu-Hwa	-	40%
Hon Shi Mozambique Co., Ltd.	Director	● Fang, Yu-Lung, Huang, Kuan-Jen, Tsao, Hung-Yu (Representative of Hon Chuan (Africa) Holdings Co., Ltd.)	-	60%
		● Roy Debabrata, Huang, Yu-Hwa	-	40%
Hon Hua (Samoa) Holdings Limited	Director	● Dai, Hung-Chuan, Tsao, Hsih-Chung, Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	8,100,000	60%
		● Chia, Hsin-Hua, Yang, Cheng-Lin	5,400,000	40%
Uni Tun Co., Ltd.	Director	● DAW MYA THAZIN KYAWE, DAW WIN WIN KHAING	6,000	60%
		● Lai, Shen-Yuan (Representative of HC (Asia) Holdings Co., Ltd.)	4,000	40%

Note: Except for Hon Chuan Malaysia Sdn. Bhd., other limited companies do not issue shares.

### 8.1.2 Independent Auditor's HON CHUAN and Affiliated Enterprises Consolidated Financial Statements: Please refer to Page 122 to 192.



### 8.1.3 Representation letter about Consolidated Financial Statements of Affiliated Enterprises

#### Representation Letter

The entities that are required to be included in the combined financial statements of Taiwan Hon Chuan Enterprise Co., Ltd. as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Report No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Hon Chuan Enterprise Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Taiwan Hon Chuan Enterprise Co., Ltd.

Dai, Hung-Chuan

Chairman

March 10, 2023

**8.1.4 Relationship report:** Not applicable.

**8.2 The status of issuing private placement securities in the most recent year and up to the publication of the annual report:** None.

**8.3 Acquisition or disposal of the Company's stock shares by subsidiaries in the most recent year and up to the publication of the annual report:** None.

**8.4 Other necessary supplementary notes:** None.

**9. The occurrence of any events as stated in Section 3 Paragraph 2 in Article 36 of the Securities Exchange Act that had significant impact on shareholders' equity or securities prices in the most recent year and up to the publication of the annual report:** None.



Taiwan Hon Chuan Enterprise Co., Ltd.

Chairman: Dai, Hung-Chuan



**宏全國際集團**  
TAIWAN HON CHUAN GROUP

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