

Stock Code: 6508



HUIKWANG CORPORATION

2022 ANNUAL REPORT

APRIL 30, 2023

This Annual Report is available at

Market Observation Post System <https://mops.twse.com.tw>

Corporate Website <http://www.huikwang.com>

Contents

| | |
|--|----|
| I. Report to the Shareholders | |
| 1. Business Results of the Previous Year | 1 |
| 2. Summary of Operating Plans of the Current Year | 2 |
| 3. Future Development Strategies of the Company | 3 |
| 4. Influences by the External Competitions, Legal Circumstances, and Macro-management Environment..... | 4 |
| II. Company Profile | |
| 1. Date of Incorporation..... | 5 |
| 2. Company History..... | 5 |
| III. Corporate Governance Report | |
| 1. Organizational System..... | 6 |
| 2. Information of Directors, Supervisors, General Manager, Assistant General Managers, Assistant Manager, and the Chiefs of all the Company's Divisions and Branch Units | 8 |
| 3. Implementation Status of Corporate Governance | 20 |
| 4. Information Regarding the Company's Audit Fee..... | 43 |
| 5. Replacement of CPA..... | 43 |
| 6. Where the Chairman, General Manager, or Manager in charge of Financial or Accounting affairs have worked in the accounting firm affiliated company of the attesting CPA in the last year, the name, title and employment period in the firm or affiliated enterprise of attesting CPA period of affiliated enterprise shall be disclosed..... | 44 |
| 7. Changes in Equity Interest Transfer and Pledge of Stock Rights Amongst Directors, Supervisors, Managers and Shareholders with Shareholding Percentage over 10 Percent in the Most Recent Year and as of the Publication Date of this Annual Report | 44 |
| 8. Relationship among the Top Ten Shareholders, including Related Parties or Spouse or Relatives within 2nd Degree of Kinship under the ROC GAAP 6:..... | 45 |
| 9. Shares of the Same Re-invested Businesses held by the Company and Directors, Supervisors, Managers and Businesses under Direct or Indirect Control of the Company, with Combined Calculation of the Comprehensive Shareholding Percentages..... | 46 |
| IV. Capital Overview | |
| 1. Capital and Shares | 46 |
| 2. Implementation Status of Corporate Bonds..... | 52 |
| 3. Implementation Status of Preferred Shares | 52 |
| 4. Implementation Status of Global Depository Receipt (GDR)..... | 52 |
| 5. Implementation Status of Employee Stock Warrant..... | 52 |
| 6. Implementation Status of Restricted Stock Awards..... | 52 |
| 7. Implementation Status of M&A or New Shares in Connection with Receiving Transfer of Shares of another Company | 52 |
| 8. Implementation Status of Funds Utilization Plans | 52 |

V. Operation Highlight

| | |
|---|----|
| 1. Business Activities..... | 53 |
| 2. Market and Sales Overview..... | 59 |
| 3. Employees | 69 |
| 4. Environmental Protection Expenditure | 70 |
| 5. Labor Relations..... | 71 |
| 6. Cybersecurity Management..... | 74 |
| 7. Important Covenants..... | 75 |

VI. Financial Information

| | |
|---|-----|
| 1. Condensed Balance Sheets and Statements of Comprehensive Income in the Last 5 Calendar Years..... | 76 |
| 2. Financial Analysis in the Last 5 Calendar Years | 80 |
| 3. Audit Committee Review Reports for the Financial Statements in the Most Recent Year..... | 84 |
| 4. Financial Statements in the Most Recent Year | 85 |
| 5. Parent-Only Financial Statement for the Most Recent Year Audited and Attested by CPA.. | 154 |
| 6. Where the Company and its affiliated enterprises has encountered difficulties in financial turnover in the Most Recent Year and as of the Publication Date of this Annual Report, its impact on financial situation of the Company shall be specified..... | 216 |

VII. Review of Financial Conditions and Financial Performance, and Risk Management Thereof

| | |
|--|-----|
| 1. Financial Conditions..... | 216 |
| 2. Financial Performance..... | 217 |
| 3. Cash Flows | 218 |
| 4. Influence on Company Finance by Significant Capital Expenditure in the Most Recent Year | 218 |
| 5. Re-investment Policies in the Most Recent Year, Main Reason(s) for the Profit or Loss of Such Re-investment, Improvement Plans, and Investment Plans in the Upcoming Year ... | 218 |
| 6. Risk Matters Analysis..... | 219 |
| 7. Other Important Matters | 221 |

VIII. Special Disclosure

| | |
|--|-----|
| 1. Summary of Affiliated Enterprises..... | 222 |
| 2. Implementation Status of Private Placement of Securities in the Most Recent Year and as of the Publication Date of this Annual Report..... | 227 |
| 3. Acquisition or Disposal of the Company's Stock by the Subsidiaries in the Most Recent Year and as of the Publication Date of this Annual Report | 227 |
| 4. Other Matters Requiring Supplementary Descriptions | 227 |

IX. Matters in the Most Recent Year and as of the Publication Date of this Annual Report having Material Impacts on Shareholders' Equities or Securities Price provided for in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act.....

227

I. Report to the Shareholders

1. Business Results of the Previous Year

In 2022, the impacts of the Russo-Ukrainian war, natural environmental factors, and the derived effects of the pandemic have impacted the economy and disrupted the supply chain, leading to a food shortage crisis and fluctuations in raw material prices which furthermore drove the sales volume of plant protection products. Particularly, in South America, the increase in agricultural product prices has stimulated the willingness to cultivate, and the surge in raw material prices has propelled overseas market performance to a peak. The market in Mainland China, on the other hand, experienced the most challenging year due to restrictions on the circulation of people and goods caused by the pandemic. Although the Environmental Science Business Department remained partially affected by the pandemic in some regions, resulting in reduced budgets and project delays, the revenue gradually rebounded due to the market demand for energy development and environmental protection promotion. The combined revenue of the two major business groups in 2022 reached a new high of NT\$ 2,491,218 million, a growth of 19.26% compared to the previous year (2021), and the operating profit increased by 22.53%, amounting to an increase of NT\$ 54,469 million. In the meantime, the appreciation of the US dollar has provided significant gains from foreign exchange to non-operating revenue of the Company. As a result, the EPS for this period reached NT\$ 3.66.

(1) Results of the Implementation of 2022 Annual Business Plan

1. Result of the Implementation of the Parent-Only Business Plan-Based on IFRS

Unit: NT\$ thousands (Except for EPS after Tax in NT\$)

| Items | Actual Amounts in 2022 | Actual Amounts in 2021 | Increase/Decrease Percentage |
|------------------------|------------------------|------------------------|------------------------------|
| Operating Revenue | 2,166,906 | 1,604,563 | 35.05% |
| Income from Operations | 280,955 | 201,770 | 39.25% |
| Pre-tax Income | 394,662 | 409,205 | -3.55% |
| EPS after Tax | 3.66 | 3.85 | -4.94% |

2. Result of the Implementation of the Comprehensive Business Plan -Based on IFRS

| Items | Actual Amounts in 2022 | Actual Amounts in 2021 | Increase/Decrease Percentage |
|------------------------|------------------------|------------------------|------------------------------|
| Operating Revenue | 2,491,218 | 2,088,965 | 19.26% |
| Income from Operations | 296,243 | 241,774 | 22.53% |
| Pre-tax Income | 396,599 | 471,970 | -15.97% |
| EPS after Tax | 3.66 | 3.85 | -4.94% |

(2) Implementation Status of the Consolidated Budget-Based on IFRS

The Company is not required to disclose implementation status of budgets as no financial forecast was made for the year 2022

(3) Financial Expenditure and Profitability Analysis:

| Items | | 2022 | 2021 |
|-----------------------------------|--|---------|---------|
| Financial Structure | Debt Ratio (%) | 21.81% | 22.96% |
| | Ratio of Long-term Capital to Fixed Assets (%) | 384.21% | 360.06% |
| Solvency | Current Ratio (%) | 378.30% | 353.37% |
| | Quick Ratio (%) | 222.70% | 205.33% |
| Return on Assets (%) | | 9.84% | 10.37% |
| Return on Stockholders' Equity(%) | | 12.58% | 13.92% |
| Ratios to Paid-in Capital (%) | Income from Operations | 34.42% | 28.22% |
| | Pre-Tax Income | 46.08% | 55.09% |
| Profit Margin (%) | | 12.62% | 15.75% |
| Basic EPS (NT\$) | | 3.66 | 3.85 |

(4) R&D Status:

In 2022, the Company's R&D expenditure amounted to NT\$ 35,743 thousand, accounting for 1.43% of the revenue. The R&D work of the Company's AgroScience Business Group primarily focuses on the development of plant protection agent preparations and the synthesis process of effective ingredient entities. In terms of preparations, we develop me-too agro-pesticide preparations and new formulations based on the needs of domestic and international business layouts, as well as the patent and drug registration status in various countries. In recent years, we have emphasized the development of environmentally friendly formulations, including flowable concentrates and capsule suspensions, gradually replacing preparations that pose risks to farmers' health and the environment, and aligning with government policies to transform products with medium to high toxicity into safer formulations. The Company's future emphasis is on promoting new chemical agents that are fast-acting, low-toxicity, and have low residue levels.

In addition to continuously developing high-performance and high-value-added products, there is an increasing trend in the development and production of customized specifications to meet the specific needs of certain customers and regional applications. These customized products can enhance market competitiveness, increase profit margins, and allow the development results to be immediately launched into the market.

2. Summary of 2023 Business Plans

(1) Management Guideline

The AgroScience Business Group maintains its consistent business strategy by continuously improving existing products and actively developing new formulations to provide high-quality and diverse products. It also strives to secure the agency of products from major global manufacturers. In the domestic market, it establishes a well-rounded marketing channel through "HUIKWANG Farmers' Service Station" to enhance the exclusivity of the Company's products and provide professional guidance to farmers, thereby enhancing the domestic agro-pesticide brand advantage and increasing market share. In the Chinese market, a comprehensive distribution system has been established. Furthermore, with the "one-agent-per-region" policy upheld, which is conducive to controlling market price stability and business promotion, the Company creates a win-win situation with distributors. However, the supply of raw materials, mainly sourced from China, has been affected by the pandemic and environmental protection policies, leading to tighter supply and increased costs. This has posed a severe challenge of price competition in the foreign market. In addition to seeking competitive niches in existing markets, the Company aims to overcome price competition by using its own brand to create product differentiation through stable quality. Furthermore, for continuous globalization of the overseas market, the Company engages in product registration projects to ensure stable supply in accordance with the different timelines of product demands in each region.

The Environmental Technology Business Group not only consolidates and nurtures existing customers by providing quality products but also offers customized products to meet specific specifications, thereby strengthening long-term relationships with customers. In response to the global market's extension of the concept of environmental protection and earth conservation, the Unit actively conducts research and development to improve formulations and promote new markets. In recent years, it has also entered the green energy industry, with Taiwan's fish and electricity symbiosis being one of the exemplary projects.

(2) Expected Sales and its Foundation:

1. Expected Sales in 2023:

| Product Type | Unit | Volume |
|------------------------|------|--------|
| Plant Protection Agent | tons | 7,500 |
| Geosynthetics | tons | 14,000 |
| Total | | 21,500 |

2. The expected figures are reasonable estimates based on actual sales in the past years along with considerations of future demand in the market and Company goals.

(3) Important Production and Sales Policies

1. AgroScience Business Group

- A. In terms of domestic operations, the focus is on the franchise stores of “HUIKWANG Farmers' Service Station” throughout Taiwan. Through sales and promotion at these Service Stations, we aim to introduce more farmers to HUIKWANG, ensuring the continuous cultivation of the brand in the domestic market and promoting stable growth.
- B. For exports from Taiwan, we rely on an international marketing team to create product differentiation and break away from price competition by utilizing our own brand and ensuring stable product quality.
- C. To popularize our products and meet market demand in Mainland China, we have registered new products such as insecticides, fungicides, and plant growth regulators. We aim to expand the sales target through increased sales of existing products and align with the agro-pesticide management regulations in Mainland China to meet government procurement standards and seize business opportunities. In addition, we enhance the training of grassroots sales and technical personnel, focusing on service, actively differentiating ourselves from local competitors, increasing brand recognition, exploring untapped areas for promotion, and cultivating major customers with a turnover of over RMB one million each, laying a solid foundation for stable growth in market share and sales volume

2. Environmental Technology Business Group

- A. Strengthening inventory management systems and diversifying raw material sources to avoid monopolies. We aim to develop different formulations to maintain quality stability and reduce product costs, enhancing the competitiveness of our products in the international market and meeting market demands.
- B. Actively developing new types of geosynthetics materials and applications to provide customers with more diverse product services.
- C. Expanding and cultivating emerging markets such as Mainland China, Asia-Pacific region, Africa, and Australia. We closely collaborate with regional large distributors, construction companies, and other partners to enhance brand awareness and market share.
- D. Actively participating in major international industry exhibitions every year, actively marketing the "HUITEX®" Geosynthetics products to increase brand awareness.
- E. Increasing product competitiveness through quality and system certifications.

3. Future Development Strategies of the Company

In terms of plant protection products by the AgroScience Business Group, both domestic and international regulations regarding management and usage are becoming stricter. In response to government policies, we are increasing the distribution of plant protection materials that are exempt from registration. We continuously strive to obtain distribution rights for low-toxicity and safe agricultural agro-pesticides from international manufacturers, with a focus on promoting the use of safe agro-pesticides and environmentally friendly practices as our development mission. In addition, we expanded the registered application scope of our existing products to meet the needs of farmers and enhance product competitiveness. We also engage in strategic partnerships with high-quality suppliers in China to develop and register new products for sale. Every year, we maintain a certain number of product registrations to meet market demands and consolidate our brand advantage and market share in the domestic plant protection agent sector.

In the overseas agricultural science market, our subsidiary continues to promote the Company's brand and establish exclusive channels, enabling direct dissemination of agro-pesticide information and technical promotion. This strategy creates brand

value and enhances market positioning. We increase the overseas registration of key products and authorize important local partners to handle product registration, facilitating resource sharing for research and development and market information. This strategy ensures the continued expansion of our own brand and sales growth for both our customers and competitors.

Regarding the Environmental Technology Business Group, the research orientation of Geosynthetics has aligned with the increasing demands for applications related to the deteriorating global environmental climate change. Independent project development has been established for properties such as high heat resistance, resistance to high UV exposure, resistance to high-temperature chemicals, and extreme environmental conditions. We collaborate with major customers and specialized testing laboratories to conduct development. Several projects have successfully passed the testing phase and are being used. The high functionality and non-toxic environmental characteristics of the materials are in line with global trends. Therefore, there is significant development potential in the areas of water resource protection and green energy applications. In the current wave of heightened global environmental awareness, we are expanding the range of multi-purpose product promotions to achieve greater market benefits.

Furthermore, we continue to develop products that meet quality requirements and have low production costs to address the highly competitive Geosynthetics market.

4. The impact caused by external competitive environment, regulatory environment, and overall business environment

Plant protection agro-pesticides are subject to registration and review in various countries, and regulations are continuously updated and becoming stricter in line with technological advancements and the demand for food safety. The Company not only closely complies with the regulations of each country but also actively prepares key sales product databases related to physical chemistry and toxicity. We continuously update and study agricultural development and agro-pesticide usage conditions in different regions. With this approach, we can sell our products to countries with increasingly stringent regulations and use this advantage to overcome competition from low-priced and low-quality products.

With respect to our Environmental Science Business Group, trade barriers, especially tariffs, have a significant impact on our exports. The establishment of a new plant in Thailand helps reduce tariff barriers and strengthens cooperation opportunities in the entire Southeast Asian market. Intense competition among industry peers necessitates the development of differentiated products to enhance competitiveness.

Chairman (and General Manager): Kuan-Hua Chen



II. Company Profile

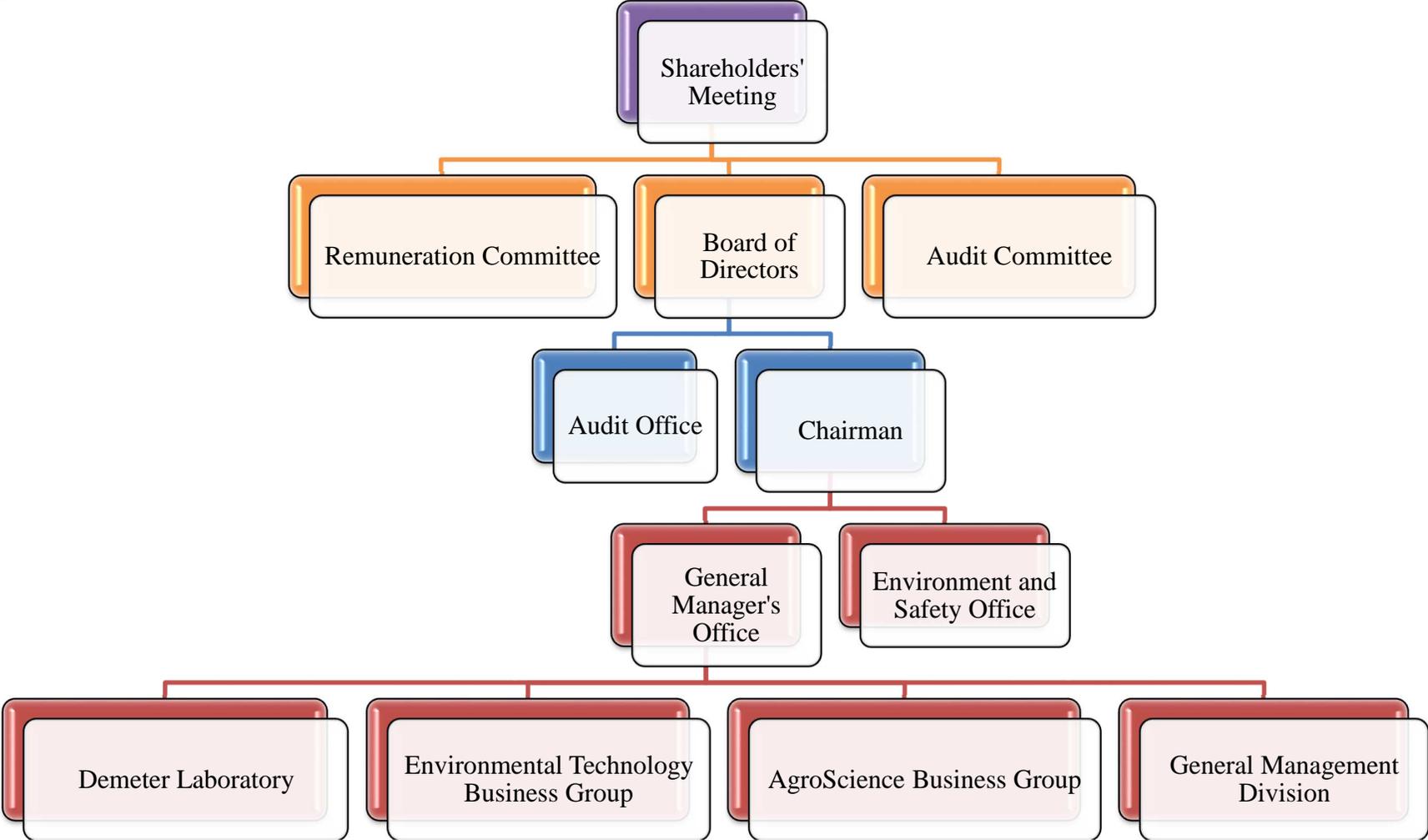
1. Date of Incorporation: December 27, 1965

2. Company History

Incorporated in 1965, Huikwang Chemicals has accompanied Taiwanese farmers through the years of the “green revolution”. Huikwang has actively invested in the R&D and production of plant protection agents and special chemical auxiliaries and has established domestic and oversea distribution networks throughout the decades, which solved the crop-related issues and recorded the development of Taiwanese agriculture. The progressive industrialization occurred all over the world is accompanied by industrial pollution and ecological damage. In view of such circumstances, Huikwang Chemicals devoted itself in the development and production of “geomembrane” and other geosynthetics contribute for environmental protection and water resource conservation in the late 90s. This industry is also one of the top ten emerging high-tech industries receiving grants by the government. For diversification purpose, the Company renamed itself as HUIKWANG CORPORATION in 2012.

| Year | Important Event(s) |
|------|---|
| 1965 | Huikwang Chemicals Co., Ltd. was incorporated on Dongmen Rd., Tainan City with a capital of NT\$ 600,000. The main scope of its businesses includes the manufacture, packaging and trading of various chemicals such as agro-pesticides, fertilizers, environmental sanitation agents, etc. |
| 1969 | Extension of Company plants by adding an Environmental Sanitation Agents plant. |
| 1976 | Extension of Company plants by adding Technical Grade Pesticide Manufacture and Synthesis plants. |
| 1982 | Conducted in December a cash capital increase by NT\$ 34 million, increasing the Company’s paid-in capital to NT\$ 50 million. |
| 1983 | Relocation to Madou Dist., Tainan City for further expansions. |
| 1984 | Conducted in October a cash capital increase by NT\$ 30 million, increasing the Company’s paid-in capital to NT\$ 80 million. |
| 1989 | Conducted in November a cash capital increase by NT\$ 40 million, increasing the Company’s paid-in capital to NT\$ 120 million. |
| 1990 | Awarded the Mineral Medal of Outstanding Manufacturers in the Prevention and Control of Industrial Pollution |
| 1992 | 1. The Company’s Agricultural Chemical Plant was elected Plant with Outstanding Industrial Waste Reduction in 1992 for its promotion of industrial waste reduction. 2. Conducted in May a cash capital increase by NT\$ 40 million, increasing the Company’s paid-in capital to NT\$ 160 million. |
| 1995 | Awarded ISO 9002 Certification. |
| 1997 | 1. Conducted in December a cash capital increase by NT\$ 39 million, increasing the Company’s paid-in capital to NT\$ 199 million. 2. Awarded the Outstanding Performance Award in the Plant Pollution Prevention and Control Evaluation of the Environmental Protection Agency, Executive Yuan |
| 1998 | The Company’s Geosynthetics plant was established. |
| 1999 | 1. Conducted in August a cash capital increase by NT\$ 90 million and a capital surplus transfer to capital at NT\$ 79 million and 600 thousand, increasing the Company’s paid-in capital to NT\$ 368 million and 600 thousand. 2. Made retroactive Implementation Status of public issuance procedures. |
| 2001 | Conducted a capital increase through transfer from earnings at NT\$ 42 million and 809 thousand, increasing the Company’s paid-in capital to NT\$ 466 million and 279 thousand. |
| 2002 | Agricultural Chemical Plant and Geosynthetics Plant of the Company were awarded ISO 9001 certification. |
| 2003 | 1. Registration of Company stock as emerging stock approved. 2. Made re-investments in Shanghai HKC Ltd., Zhejiang Huikwang Biochemical Co., Ltd., and Hui Kwang (Thailand) Co., Ltd. for acquisition. |
| 2004 | 1. Conducted IPO and listed in Taiwan OTC Stock Market on March 22. 2. Awarded ISO 14001 Environmental Management System certification. |
| 2005 | Awarded in the 8 th Rising Star Award by the Ministry of Economic Affairs. |
| 2009 | Two major business groups of the Company renamed to AgroScience Business Group (formerly Plant Protection Business Group) and Environmental Technology Business Group (formerly Geosynthetics Business Group) |
| 2010 | A HUIKWANG subsidiary was established in Malaysia. |
| 2012 | Company name changed to HUIKWANG CORPORATION. |
| 2018 | Made re-investments in HUITEX Limited (Thailand). |

III. Corporate Governance Report
1. Organizational System
(1) Organization Structure



(2) Businesses of Major Departments

| Major Departments | Duties and Responsibilities |
|---|---|
| Audit Office | Performing audits on whether the internal control operates effectively on a regular basis, whether the operating activities are carried out according to the established plans, and whether the Company affairs are performed in compliance with laws and regulations, with suggestions for improvement proposed. |
| General Manager's Office | The Company's coordination and decision-making authority of the highest hierarchy leading each unit to achieve the Company's overall operation and management performances and implementing proposals resolved by the Board of Directors. |
| Environment and Safety Office | Improving the working environment for enhanced labor safety and health, and implementing various environmental protection tasks in accordance with governmental laws and regulations. |
| Demeter Laboratory | <ol style="list-style-type: none"> 1. Development of research and analytical methods for the manners of physicochemical testing of agro-pesticides and chemicals; and 2. Performing characteristic tests of agro-pesticides and chemicals, undertaking delegations by clients, and issuance of research results reports. |
| Environmental Technology Business Group | <ol style="list-style-type: none"> 1. Responsible for plannings for all domestic and foreign geosynthetics market, setting, planning and implementation of sales goals, production arrangements, quality control, etc.; 2. R&D of manufacturing processes for new products and improvement of manufacturing processes for existing products, formulation of product standard manufacturing processes with economic benefits and functions meeting customer satisfaction and market demands, and planning and implementation of future product development. |
| AgroScience Business Group | <ol style="list-style-type: none"> 1. Responsible for planning for domestic and oversea Plant Protection Agent market, collection of market demand information and knowledge of customer requirements, and setting, planning and implementation of sales goals; 2. Controlling and attaining controls over the production tasks and manufacturing processes for the Plant Protection Agent and Specialty Chemicals, warehouse management and production equipment maintenance at an effective manner in accordance with resolutions of sales and production meetings; 3. R&D of manufacturing processes for new products and improvement of manufacturing processes for existing products, formulation of product standard manufacturing processes with economic benefits and functions meeting customer satisfaction and market demands, and planning and implementation of future product development. |
| General Management Division | <ol style="list-style-type: none"> 1. The Company's general affairs, human resources, document and file management, planning of employee education and training, Implementation Status of external affairs and public relations, planning and promulgation of various management regulations, and procurement of domestic and oversea raw materials and non-production equipment; 2. Construction of information system, management and maintenance, system integration and adjustment, network management, backup management and security control, etc.; 3. The Company's financial operations and funds allocation, preparation and analysis of financial statements, and processing of accounting and tax planning. |

2. Information of Directors, Supervisors, General Manager, Assistant General Managers, Assistant Manager, and the Chiefs of all the Company's Divisions and Branch Units

(1) Directors

1. Directors Information

April 30, 2023

| Title | Nationality or Place of Registration | Name | Gender and Age | Date the Current Position is Assumed | Term of Contract | Commence Date of First Term | Shares Held upon Assumption | | Current Shares Held | | Shares Held by Spouses and Children of Minor Age of Director | | Shares Held through Nominees | | Principal Work Experience and Academic Qualifications | Position(s) Held Concurrently in the Company and/or in any other company | Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship | | | Remarks |
|----------------------|--------------------------------------|---|----------------|--------------------------------------|------------------|-----------------------------|-----------------------------|--------------------|---------------------|--------------------|--|--------------------|------------------------------|--------------------|---|--|---|----------------------------------|--------------------------|---------|
| | | | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relationship | |
| Chairman | ROC | Kuan-Hua Chen | Male | 2020.6.15 | 3 | 2017.6.28 | 2,643,600 | 3.12% | 2,701,000 | 3.14% | 0 | 0% | 0 | 0% | Education: MPA, Economic Policy Mgt., Columbia University MBA, Finance Univ. of Southern Cal. Principle Experience: Vice General Manager of Environmental Science, HUIKWANG CORPORATION | Notes 1 and 2 | Director | Jung-Tung Chen Chiu-Ying Tang | Father Mother | Note 2 |
| | | | 40~50 | | | | | | | | | | | | | | | | | |
| Director | ROC | Jung-Tung Chen | Male | 2020.6.15 | 3 | - | 7,986,746 | 9.42% | 7,986,746 | 9.28% | 3,253,507 | 3.78% | 0 | 0% | Education: Department of Pharmacy, China Medical Academy Principle Experience: President, Taiwan Crop Protection Industry Association | Note 3 | Director | Chiu-Ying Tang Kuan-Hua Chen | Married Couple Son | None |
| | | | 70~80 | | | | | | | | | | | | | | | | | |
| Director | ROC | Hui Kwang Investment Co., Ltd. | - | 2020.6.15 | 3 | 2002.06.26 | 15,343,113 | 17.91% | 15,343,113 | 17.83% | 0 | 0% | 0 | 0% | - | - | - | - | - | None |
| | ROC | Hui Kwang Investment Co., Ltd. Representative: Chiu-Ying Tang | Female | 2020.6.15 | 3 | 2002.06.26 | 3,273,507 | 3.86% | 3,253,507 | 3.78% | 7,986,746 | 9.28% | 0 | 0% | Education: Department of Accounting, Ling Tung Institute of Technology Principle Work Experience: Chairman, Hui-Tung Investment | Note 4 | Director | Jung-Tung Chen Kuan-Hua Chen | Married Couple Son | None |
| Director | ROC | Yu-Zheng Kuo | Male | 2020.6.15 | 3 | 2002.06.26 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Education: Department of Accounting, Soochow University Principle Experience: Chief Auditor, SUN YAD CONSTRUCTION CO., LTD., PwC Taiwan | Vice President of Finance of SUN YAD CONSTRUCTION CO., LTD. | None | None | None | None |
| | | | 50~60 | | | | | | | | | | | | | | | | | |
| Independent Director | ROC | Ming-Zhi Tsai | Male | 2020.6.15 | 3 | 2002.06.26 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Education: Department of Accounting, Soochow University Principle Experience: Senior Manager of Finance, SUN YAD CONSTRUCTION CO., LTD., Senior Manager of Finance, Shih-Kuen Plastics Co., Ltd., General Manager, TAYIH KENMOS AUTO PARTS CO., LTD. | Independent Director, Ying Han Technology Co Ltd | None | None | None | None |
| | | | 50~60 | | | | | | | | | | | | | | | | | |

| Title | Nationality or Place of Registration | Name | Gender and Age | Date the Current Position is Assumed | Term of Contract | Commence Date of First Term | Shares Held upon Assumption | | Current Shares Held | | Shares Held by Spouses and Children of Minor Age of Director | | Shares Held through Nominees | | Principal Work Experience and Academic Qualifications | Position(s) Held Concurrently in the Company and/or in any other company | Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship | | | Remarks |
|----------------------|--------------------------------------|----------------|----------------|--------------------------------------|------------------|-----------------------------|-----------------------------|--------------------|---------------------|--------------------|--|--------------------|------------------------------|--------------------|--|---|---|------|--------------|---------|
| | | | | | | | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | Shares | Shareholding Ratio | | | Title | Name | Relationship | |
| Independent Director | ROC | Ming-Tang Tsai | Male 60~70 | 2020.6.15 | 3 | 2002.06.26 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Education: Department of Accounting, Chung Yuan Christian University, Master Program in Business and Operations Management, Chang Jung Christian University Principle Experience: Crowe CPAs, Auditor, Princeton Technology Corp., Manager of Finance, Shang Zheng Construction Co., Ltd. | Note 5 | None | None | None | None |
| Independent Director | ROC | Bo-Ren Chang | Male 50~60 | 2020.6.15 | 3 | 2017.6.28 | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | Education: Graduate program, Department of Finance, National Chung Cheng University Principle Experience: Financial Manager of Department of Securities Underwriting, Masterlink Securities Corp. and MACAUTO INDUSTRIAL CO., LTD. | Responsible Person of iFullyCare, CEO of evershine invest Co., LTD., Independent Director, Nang Kuang Pharmaceutical Co Ltd | None | None | None | None |

Note 1: General Manager of HUIKWANG CORPORATION; Chairman of Huikwang Trading Co., Ltd.; and Director at LIWELL CO., LTD., Shanghai HKC Ltd., HUI KWANG (THAILAND) CO., LTD. and HUITEX Limited.

Note 2: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed:

As the Chairman of the Company also serves as the General Manager, in order to enhance operational efficiency and decision-making effectiveness. However, to strengthen the independence of the Board of Directors, the Company has actively trained suitable candidates internally; in addition, the Chairman maintains close communication with each Director to fully discuss the Company's current operations and plans, aiming to implement effective corporate governance. In the future, the Company plans to increase the number of Independent Directors to enhance the functions of the Board of Directors and strengthen its oversight role. Currently, the Company has taken the following specific measures:

1. The three existing Independent Directors are specialized in the fields of finance and accounting and can effectively fulfill their supervisory roles. In the future, the number of Independent Directors will be increased to four.
2. Each year, the Company organizes external professional director courses for participation by directors to enhance the operational efficiency of the Board of Directors.
3. Independent Directors are actively involved in discussions and provide recommendations in various functional committees for the reference of the Board of Directors to implement effective corporate governance.
4. More than half of the Board members do not currently serve as employees or supervisors.

Note 3: Chairman of LIWELL CO., LTD., Hui Kwang Investment Co., Ltd., HuiKwang International Co., Ltd., and Shanghai HKC Ltd.; and Director at HUI KWANG (THAILAND) CO., LTD., HKC AGROSCIENCE SDN.BHD., and CEREX FINE CROP CORPORATION.

Note 4: Director at Hui Kwang Investment Co., Ltd., and CEREX FINE CROP CORPORATION; Supervisor at Huikwang Trading Co., Ltd., Hui-Tung Investment Co., Ltd., Dong-Ni Investment Co., Ltd., LIWELL Co., Ltd, and Dong-Chiang Investment Co., Ltd.; and Vice General Manager at HUIKWANG CORPORATION.

Note 5: CEO of TOP TECHNOLOGY MANAGEMENT CO., LTD., Independent Director at Kuangli Bio-Tech Holdings Co. Ltd., Independent Director at MICROCOSM TECHNOLOGY CO., LTD., and Independent Director at AEON MOTOR CO., LTD.

2. Main Shareholder(s) of Juristic Person Shareholder: April 30, 2023

| Name of Juristic Person Shareholder | Main Shareholder(s) of Juristic Person Shareholder |
|-------------------------------------|--|
| Hui Kwang Investment Co., Ltd. | Jung-Tung Chen 70.50%, and Chiu-Ying Tang 27.50% |

3. Disclosures of Information for Directors' Professional Qualifications and Independence of Independent Directors:

| Name | Condition | Professional Qualifications and Experience | Independence (Note 1) | | | | | | | | | | | | Number of TWSE/TPEX Listed Companies the Role Serves as an Independent Director at | | | |
|---|-----------|---|-----------------------|---|---|---|---|---|---|---|---|----|----|----|--|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | | | | |
| Chairman and General Manager-Kuan-Hua Chen | | Has an MBA degree, has concurrently taken the role as the Company's General Manager for more than ten years, and has the ability of professional leadership, marketing, operation management and strategic planning. | | | | | | | | | | | | ✓ | | ✓ | ✓ | 0 |
| Director-Jung-Tung Chen | | Graduated from China Medical Academy (now China Medical University), took the roles as the Chairman and the General Manager of the Company, and specializes in operation management, production management and planning, market strategy and industry analysis and business development of a company. | | | | | | | | | | | | ✓ | | ✓ | ✓ | 0 |
| Director-Hui Kwang Investment Co., Ltd. Representative(s): Chiu-Ying Tang | | Graduated from Ling Tung University, currently serves as Assistant General Manager of the Company, has been employed by the Company for more than 30 years, and has the experience and abilities required for business, finance, accounting and corporate business. | | | | | | | | | | | | ✓ | | ✓ | ✓ | 0 |
| Director-Yu-Zheng Kuo | | Graduated from the Department of Accounting, Soochow University, currently serves as the Vice President of Finance of SUN YAD CONSTRUCTION CO., LTD., has worked in the financial and accounting fields for more than 20 years, and specializes in finance and investment management. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Independent Director-Ming-Zhi Tsai | | Graduated from the Department of Accounting, Soochow University, is the convener of the Company's Audit Committee, currently serves as the General Manager of General Manager's Office of TAYIH KENMOS AUTO PARTS CO., LTD., is with more than 20 years of working experience required by the Company's business, and has the insights into industrial development and new business opportunities. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Independent Director-Ming-Tang Tsai | | Graduated from the Department of Accounting, Chung Yuan Christian University, is currently the CEO of TOP TECHNOLOGY MANAGEMENT CO., LTD., has more than 20 years of experience as required in business, information technology and company business. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 |
| Independent Director-Bo-Ren Chang | | Master of finance having completed the graduate program, Department of Finance, National Chung Cheng University, is the convener of the Company's Remuneration Committee, is currently the person in charge of iFullyCare, served as the financial manager of Department of Securities Underwriting, Masterlink Securities Corp. and other listed companies, has more than 20 years of financial experience, specializes in finance and capital markets, and has the insights into industrial development and new business opportunities. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |

Note 1: Tick "✓" in the fields under the numbers in the above table if a director or a supervisor meets any of the corresponding circumstances below two (2) years before elected and during his/term of office.

(1) Is not employed by the Company or its affiliated enterprises;

- (2) Is not a director or a supervisor of the Company or its affiliated enterprises (however, this do not apply to independent directors appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (3) Is not a natural-person 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 of one percent (1%) or more of the total number of issued shares of the Company or ranking in the top 10 in holdings;
- (4) Is not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the subparagraphs 2 and 3;
- (5) Is not a director, supervisor, or employee of a corporate shareholder that directly holds five percent (5%) or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (however, this do not apply to independent directors appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (6) If a majority of the Company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company (however, this do not apply to independent directors appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (7) If the Chairman, General Manager, or person holding an equivalent position of the Company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution (however, this do not apply to independent directors appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (8) Is not a director, supervisor, officer, or shareholder holding five percent (5%) or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. (however, this do not apply where the specified company or institution holds 20 percent (20%) or more and no more than 50 percent (50%) of the total number of issued shares of the Company and where the director/supervisor is an independent directors appointed in accordance with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent);
- (9) Is not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations;
- (10) Is not a spouse or a relative within the second degree of kinship with other director(s);
- (11) Does not involve in any of the circumstances provided for in subparagraphs of Article 30 of the Company Act; or
- (12) Is not elected as a governmental agency, juristic person or their representatives under Article 27 of the Company Act.

4. Diversity and Independence of the Board of Directors:

The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include the following two general standards: 1. Basic requirements and values: gender, age, nationality, and culture; 2. Professional knowledge and skills: a professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience. Members of the Company's Board of Directors shall have the industrial experience with respect to manufacturing, marketing, finance and accounting, or information and technology. In addition, a diversity guideline has been implemented for a sound Board of Directors structure. The situation concerning diversity and core abilities possessed by the Board of Directors as a whole is as shown in the following table:

| Name | Gender | Nationality | Age | Is an employee in the Company | Independent directors terms over 3 years | Diversity or Core Abilities | | | | | | | | |
|---|--------|-------------|-------------|-------------------------------|--|---------------------------------------|--|--|--------------------------------------|---------------------------|-------------------------------------|-----------------|----------------------------------|------|
| | | | | | | Ability to make operational judgments | Ability to perform accounting and financial analysis | Ability to conduct management administration | Ability to conduct crisis management | Knowledge of the industry | An international market perspective | Ability to lead | Ability to make policy decisions | Laws |
| Kuan-Hua Chen | Male | ROC | 40-50 years | V | | V | | V | V | V | V | V | V | V |
| Jung-Tung Chen | Male | ROC | 70-80 years | V | | V | | V | V | V | V | V | V | V |
| HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | Female | ROC | 70-80 years | V | | V | V | V | V | V | V | V | V | |
| Yu-Zheng Kuo | Male | ROC | 50-60 years | | | V | V | V | V | V | V | V | V | |
| Ming-Zhi Tsai | Male | ROC | 50-60 years | | V | V | V | V | V | V | V | V | V | |
| Ming-Tang Tsai | Male | ROC | 60-70 years | | V | V | V | V | V | V | V | V | V | |
| Bo-Ren Chang | Male | ROC | 50-60 years | | V | V | V | V | V | V | V | V | V | |

The Board of Directors of the Company consists of 7 directors, of which 43% are independent directors, 43% are employees of the Company, 14% are female, and 2 independent directors have served the role for more than 12 years. For the information concerning the spousal relationship or the familial relationship within the 2nd degree of kinship, please refer to Pages 8-9 herein. There is no circumstance specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. There is independence in the Company's Board of Directors.

Management Goals and Implementation of the Board of Directors' Diversified Policies:

| Management Goals | Implementation |
|--|--|
| Diverse professional knowledge and skills in sufficient numbers | Implemented |
| At least one of the directors is a female | Implemented |
| Independent directors with services no more than three consecutive terms | Planning |
| Independent directors accounting for four or more seats of all directors | A re-election of all directors is expected to be held in June 2023 |

(2) Information on the Company's General Manager, Assistant General Manager, Assistant Manager, and the chiefs of all the Company's divisions and branch units:

April 30, 2023 Unit: Shares

| Title | Nationality | Name | Gender | Date the Current Position is Assumed | Shares Held | | Shares Held by Spouses and Children of Minor Age | | Shares Held through Nominees | | Principal Work Experience and Academic Qualifications | Position(s) Held Concurrently in any other company | Managers within Spousal Relationship or 2nd Degree of Kinship | | | Remarks |
|---|-------------|-----------------|--------|--------------------------------------|------------------|-------------------------|--|-------------------------|------------------------------|-------------------------|--|--|---|----------------|--------------|---------|
| | | | | | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | Number of Shares | Shareholding Percentage | | | Title | Name | Relationship | |
| General Manager | ROC | Kuan-Hua Chen | Male | 2008.11.05 | 2,701,000 | 3.14% | 0 | 0% | 0 | 0% | Academic Qualification(s): MPA, Economic Policy Mgt., Columbia University MBA, Finance, Univ. of Southern Cal. Principle Work Experience: Assistant General Manager, Environmental Science Business, HUIKWANG CORPORATION | Note 1 | General Manager's Office Assistant General Manager | Chiu-Ying Tang | Mother | Note 2 |
| Assistant General Manager, General Manager's Office | ROC | Chiu-Ying Tang | Female | 2010.02.01 | 3,253,507 | 3.78% | 7,986,746 | 9.28% | 0 | 0% | Academic Qualification(s): Department of Accounting, Ling Tung Institute of Technology Principle Work Experience: Senior Manager of Finance, HUIKWANG CORPORATION | Note 3 | General Manager | Kuan-Hua Chen | Son | None |
| Assistant General Manager and Financial Manager, General Management Division | ROC | Anita Chu | Female | 2010.02.01 | 70,445 | 0.08% | 0 | 0% | 0 | 0% | Academic Qualification(s): MBA, National Chiayi University Principle Work Experience: Assistant Manager, Wen-Cheng CPAs | Note 4 | None | None | None | None |
| Senior Manager, Business Development Department, AgroTechnology Business Group | ROC | Jun-Rui Wu | Male | 2016.07.01 | 104,000 | 0.12% | 0 | 0% | 0 | 0% | Academic Qualification(s): Department of Forest Resources and Technology, National Pingtung University of Science and Technology | None | None | None | None | None |
| Senior Manager, Production and R&D Department, AgroTechnology Business Group | ROC | Sheng-Ming Shih | Male | 2011.10.01 | 23,442 | 0.03% | 0 | 0% | 0 | 0% | Academic Qualification(s): PhD, Doctoral Program of Department of Material Science, National Taiwan University Principle Work Experience: Researcher of Biomedical Center, ITRI, Project Manager of Yung Zip Chemical | None | None | None | None | None |
| Senior Manager, Production and R&D Department, Environmental Science Business Group | ROC | Jing-Tai Lin | Male | 2017.03.01 | 38,609 | 0.04% | 0 | 0% | 0 | 0% | Academic Qualification(s): Graduate Program of Department of Chemical Engineering, National Chung Cheng University Principle Work Experience: Nan Ya Plastics Corporation, R&D Specialist, Plastics Industry Development Center (PIDC) | Note 5 | None | None | None | None |

Note 1: Chairman of HUIKWANG CORPORATION; Chairman of Huikwang Trading Co., Ltd.; and Director of LIWELL CO., LTD., Hui-Tung Investment Co., Ltd., Shanghai HKC Ltd., HUI KWANG (THAILAND) CO., LTD., and HUITEX Limited.

Note 2: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as an employee or a manager) must be disclosed:

The Company's Chairman concurrently serves as the Company's General Manager for enhanced operating effect and implementation of policy decisions; however, to strengthen the independence of the Board of Directors, the Company has actively trained suitable candidates: In addition, the Chairman also communicates with the directors on the Company's current operating status and plans sufficiently and on a regular and close basis in order to implement corporate governance. The Company plans to increase the number of independent director seats in the future to enhance the competence of the Board of Directors and strengthen its supervision function. Currently, the Company has the following specific measures:

1. The existing 3 independent director have the expertise in finance and accounting, and may affect their competency in the supervision of relevant affairs.
2. Arrangements of professional courses organized by external institutions and attended by directors are made on an annual basis to boost working effectiveness of the Board.
3. For fulfilling corporate governance, independent directors are allowed to engage in sufficient discussions in the meetings of each and every functional committee and may propose suggestions for reference by the Board of Directors.
4. More than half of the directors in the Board of Director do not concurrently serve as an employee or a manager.

Note 3: Director of HUIKWANG INVESTMENT CO., LTD. and CEREX FINE CROP CORPORATION; Supervisor of Huikwang Trading Co., Ltd., Hui-Tung Investment Co., Ltd., Dong-Ni Investment Co., Ltd., LIWELL Co., Ltd and Dong-Chiang Investment Co., Ltd.

Note 4: Supervisor of Shanghai HKC Ltd., and Independent Director of FineMat Applied Materials Co., Ltd.

Note 5: Director of HUITEX Limited.

(3) Remunerations Paid to Directors, Supervisors, General Manager and Assistant General Managers in the Most Recent Year:

1. Remunerations to Directors and Independent Directors

December 31, 2022; Unit: NT\$ thousands

| Title | Name | Directors' Remunerations | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (Note 10) | | Remunerations Received by Directors Concurrently Serving as Employees | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (Note 10) | | Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 11) | | | | |
|--|---|--------------------------------|--|-------------------------------|--|--------------------------------------|--|---|--|---|--|-------------------------------|--|---------------------------------------|---|---|-------|---|-------------|---|------|------|
| | | Base Compensation (A) (Note 2) | | Severance Pay and Pension (B) | | Directors' Compensation (C) (Note 3) | | Allowances (D) (Note 4) | | Salary, Bonuses, and Allowances (E) (Note 5) | | Severance Pay and Pension (F) | | Employees' Compensations (G) (Note 6) | | | | | | | | |
| | | The Company | All Companies in the Financial Statements (Note 7) | The Company | All Companies in the Financial Statements (Note 7) | The Company | All Companies in the Financial Statements (Note 7) | The Company | All Companies in the Financial Statements (Note 7) | The Company | All Companies in the Financial Statements (Note 7) | The Company | All Companies in the Financial Statements (Note 7) | The Company | | All Companies in the Financial Statements (Note 7) | | | The Company | All Companies in the Financial Statements | | |
| Director | Kuan-Hua Chen | 0 | 0 | 0 | 0 | 5,578 | 5,578 | 72 | 72 | 1.80 | 1.80 | 10,510 | 10,510 | 0 | 0 | 0 | 9,067 | 0 | 9,067 | 8.02 | 8.02 | None |
| | Jung-Tung Chen | | | | | | | | | | | | | | | | | | | | | |
| | HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | | | | | | | | | | | | | | | | | | | | | |
| | Yu-Zheng Kuo | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ming-Zhi Tsai | 0 | 0 | 0 | 0 | 720 | 720 | 51 | 51 | 0.25 | 0.25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.25 | 0.25 | None |
| | Ming-Tang Tsai | | | | | | | | | | | | | | | | | | | | | |
| | Bo-Ren Chang | | | | | | | | | | | | | | | | | | | | | |
| <p>1. Please specify payment policy, system, standard and structure of the remunerations received by independent directors, and the relevance of remunerations paid to the directors based on their duties, risks, duration of engagement and other relevant factors: The payment is made in accordance with the Company's Articles of Incorporation, which the Salary and Compensation Committee evaluates the degree of participation in the Company's operations and contribution value by each director and links the reasonableness and fairness of risks from performance with the rewards received before the Board of Directors under authorization determines the payments based on the recommendations of the Salary and Compensation Committee and with reference to industry standards. The average directors' compensation has increased for the year due to increased profits of the Company, which is reasonable.</p> <p>2. Remunerations received by director in the most recent year for provision of services (e.g. non-employee consultant for the Parent Company/All Companies in the Financial Statements/Re-invested Businesses) other than the above disclosed contents: None</p> | | | | | | | | | | | | | | | | | | | | | | |

Remuneration Range Table

| Range of Remuneration | Name of Directors | | | |
|--|--|--|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All Companies in the Financial Statements (Note 9) H | The Company (Note 8) | All Companies in the Financial Statements (Note 9)I |
| Less than NT\$ 1,000,000 | Ming-Zhi Tsai, Ming-Tang Tsai, Bo-Ren Chang, Yu-Zheng Kuo, and HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | Ming-Zhi Tsai, Ming-Tang Tsai, Bo-Ren Chang, Yu-Zheng Kuo, and HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | Ming-Zhi Tsai, Ming-Tang Tsai, Bo-Ren Chang, and Yu-Zheng Kuo | Ming-Zhi Tsai, Ming-Tang Tsai, Bo-Ren Chang, and Yu-Zheng Kuo |
| NT\$1,000,000~NT\$2,000,000 | Jung-Tung Chen | Jung-Tung Chen | None | None |
| NT\$2,000,000~NT\$3,500,000 | Kuan-Hua Chen | Kuan-Hua Chen | None | None |
| NT\$3,500,000~NT\$3,500,000 | None | None | HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang |
| NT\$5,000,000~NT\$10,000,000 | None | None | Jung-Tung Chen | Jung-Tung Chen |
| NT\$10,000,000~NT\$15,000,000 | None | None | Kuan-Hua Chen | Kuan-Hua Chen |
| NT\$15,000,000~NT\$30,000,000 | None | None | None | None |
| NT\$30,000,000~NT\$50,000,000 | None | None | None | None |
| NT\$50,000,000~NT\$100,000,000 | None | None | None | None |
| Greater than or equal to NT\$100,000,000 | None | None | None | None |
| Total | 7 | 7 | 7 | 7 |

Note 1: Directors' name shall be entered in separately (Corporate Shareholder Name and representative(s) shall be listed respectively under the Corporate Shareholder), with respective listing as General Director and Independent Director, disclosing various payment amounts in aggregate. In case a director concurrently serves as General Manager or Assistant General Manager, the information shall be entered in this Table and the remuneration tables for General Manager and Assistant General Manager.

Note 2: Refers to the director's remunerations in the most recent year (including director's salary, job bonus, severance pay, various bonuses, incentives, etc.).

Note 3: Refers to the amount(s) of directors' compensation for the most recent year, whose distribution has been resolved by the Board of Directors.

Note4: This refers to director expenses and perquisites in the most recent fiscal year (including travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc.). If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the

Company to the driver, but do not include it in the calculation of the director remuneration.

Note 5: This includes any remuneration received by a director for concurrent service as an employee in the most recent year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee) including salary, duty allowances, severance pay, rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, etc. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2-including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.-should be included in the calculation of remuneration.

Note 6: This refers to employee profit-sharing compensation (including stocks and cash) received by a director for concurrent service as an employee in the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). Disclose the amount of profit-sharing compensation approved or expected to be approved by the board of directors for distribution for the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 7: Disclose the total amount of remuneration in each category paid to the directors of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director by the Company.

Note 9: Disclose the names of the directors in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each director of the Company by all companies in the consolidated financial report (including the Company).

Note 10: Net income means the net income after tax on the parent-only or individual financial report for the most recent fiscal year.

Note 11: a. In this column, specifically disclose the amount of remuneration received by the directors of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state "None").

b. If directors of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column I of the Remuneration Range Table, and the name of that column shall be changed to "Parent company and all investee enterprises."

c. Remuneration means remuneration received by directors of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

2. Remunerations of Supervisors: Not applicable.

3. Remuneration to General Manager(s) and Assistant General Manager(s)

December 31, 2022; Unit: NT\$ thousands

| Title | Name | Salary (A) (Note 2) | | Severance Pay and Pension (B) | | Bonus and Special Disbursement (C) (Note 3) | | Employees' Compensations Amount (D) (Note 4) | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income(%) (Note 8) | | Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 9) |
|---------------------------|----------------|---------------------|--|-------------------------------|--|---|--|--|--------------|--|--------------|---|---|--|
| | | The Company | All Companies in the Financial Statements (Note 5) | The Company | All Companies in the Financial Statements (Note 5) | The Company | All Companies in the Financial Statements (Note 5) | The Company | | All Companies in the Financial Statements (Note 5) | | The Company | All Companies in the Financial Statements | |
| | | | | | | | | Cash Amount | Stock Amount | Cash Amount | Stock Amount | | | |
| General Manager | Kuan-Hua Chen | 5,352 | 5,352 | 0 | 0 | 1,694 | 1,694 | 0 | 10,578 | 0 | 10,578 | 5.60 | 5.60 | None |
| Assistant General Manager | Chiu-Ying Tang | | | | | | | | | | | | | |
| Assistant General Manager | Anita Chu | | | | | | | | | | | | | |

Range Table for Remunerations Received by General Manager and Vice (Assistant) General Manager(s)

| Brackets of Remunerations paid to General Manager and Vice General Manager(s) of the Company | Names of General Manager and Assistant General Manager | |
|--|--|--|
| | The Company (Note 6) | All Companies in the Financial Statements (Note 7) E |
| Less than NT\$ 1,000,000 | None | None |
| NT\$1,000,000~NT\$2,000,000 | None | None |
| NT\$2,000,000~NT\$3,500,000 | Anita Chu | Anita Chu |
| NT\$3,500,000~NT\$5,000,000 | Chiu-Ying Tang | Chiu-Ying Tang |
| NT\$5,000,000~NT\$10,000,000 | None | None |
| NT\$10,000,000~NT\$15,000,000 | Kuan-Hua Chen | Kuan-Hua Chen |
| NT\$15,000,000~NT\$30,000,000 | None | None |
| NT\$30,000,000~NT\$50,000,000 | None | None |
| NT\$50,000,000~NT\$100,000,000 | None | None |
| Greater than or equal to NT\$100,000,000 | None | None |
| Total | 3 | 3 |

Note 1: The name of each general manager and assistant general manager shall be stated separately, based on the amount of the aggregated remuneration items paid to each. If a director concurrently serves as a general manager or an assistant general manager, please complete this table and Table (1-1), or Tables (1-2-1) and (1-2-2).

Note 2: This includes salary, duty allowances, and severance pay to the general manager(s) and assistant general manager(s) in the most recent fiscal year.

Note 3: This includes the amounts of all types of rewards, incentives, travel expenses, special disbursements, stipends of any kind, provision of facilities such as

accommodations or vehicle, and other compensation to the general manager(s) and assistant general managers(s) in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the Company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2—including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc.—should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the general manager(s) and assistant general manager(s) as approved or expected to be approved by the board of directors for the most recent fiscal year (including concurrent service as general manager, assistant general manager, other managerial officer, or non-managerial employee). If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the general manager(s) and assistant general manager(s) by all companies in the consolidated financial report (including the Company).

Note 6: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager by the Company.

Note 7: Disclose the names of the general manager(s) and assistant general manager(s) in the respective ranges into which they fall based on the sum total of the remuneration in the indicated categories paid to each general manager and assistant general manager of the Company by all companies in the consolidated financial report (including the Company).

Note 8: Net income means the net income after tax on the parent-only or individual financial report for the most recent fiscal year.

Note 9: a. In this column, specifically disclose the amount of remuneration received by the general manager(s) and assistant general manager(s) of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state “None”)

b. If general manager(s) or assistant general manager(s) of the Company have received remuneration from investee enterprises other than subsidiaries or from the parent company, that remuneration shall be added into the amount in Column E of the Remuneration Range Table, and the name of that column shall be changed to “Parent company and all investee enterprises.”

c. Remuneration means remuneration received by the general manager(s) and assistant general manager(s) of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

*This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

Name of Managerial Officer(s) Distributing Employees' Compensations and Distribution Status

December 31, 2022; Unit: NT\$ thousands

| | Title | Name | Stock Amount | Cash Amount | Total | Ratio of Total to Net Income (%) |
|------------------|---------------------------|-----------------|--------------|-------------|--------|----------------------------------|
| Managerial Roles | General Manager | Kuan-Hua Chen | 12,041 | 0 | 12,041 | 3.83% |
| | Assistant General Manager | Chiu-Ying Tang | | | | |
| | Assistant General Manager | Anita Chu | | | | |
| | Senior Manager | Sheng-Ming Shih | | | | |
| | Senior Manager | Jun-Rui Wu | | | | |
| | Senior Manager | Jin-Tai Lin | | | | |

(4) Compare and describe the ratio of total remuneration to the Company's Directors, General Manager(s) and Assistant General Manager(s) to net income by the Company and All Companies in the Consolidated Report in the most recent 2 years, and specify the Company's remuneration payment policy, standard and combination, and the relevance of procedure for determining remunerations to business performance and future risks:

1. Analysis on the ratio of total remuneration to the Company's Directors, General Manager(s) and Assistant General Manager(s) to net income by the Company and All Companies in the Consolidated Report in the most recent 2 years:

| Ratio of total remuneration to the Company's Directors, General Manager(s) and Assistant General Manager(s) to net income | 2022 | | 2021 | |
|---|-------------|--|-------------|--|
| | The Company | All Companies in the Consolidated Report | The Company | All Companies in the Consolidated Report |
| | 9.27% | 9.27% | 8.42% | 8.42% |

In 2022, the Company's operating profit increased by 22.49% compared to 2021. As a result, the total amounts of director and employees' remunerations also increased. The main reason for the increased profitability in 2021 was the disposal of the profits from Zhejiang Huikwang. Therefore, considering factors such as the General Manager and Vice General Manager's contributions to the Company's performance, the increase in the remuneration ratio was smaller than the increase in profitability. Therefore, the proportion of after-tax net profit in 2022 was higher than that in 2021.

2. Policies, standards, and composition of remunerations paid, the process for determining remuneration, and its relevance with business performance and future risks:

The remuneration received by the Company's directors is determined in accordance with Article 26 of the Articles of Incorporation. If there is profitability in a given year, the remuneration shall not exceed 5% of the directors' remuneration. The remuneration is based on the individual director's level of involvement and contribution to the Company's operations, taking into account industry norms. The Company regularly evaluates director remuneration according to the "Regulations governing Performance Evaluation of Directors and Managers". The performance evaluation criteria for the Chairman are based on operational, governance, and financial indicators related to the Company's annual operating results. The evaluation scope includes indicators such as pre-tax net profit and corporate governance assessment. The performance evaluation and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors.

The remuneration of the Company's managers includes salary, bonuses, and employee compensation, as well as various allowances and bonuses defined in accordance with the salary regulations. The remuneration is determined based on the position held, responsibilities undertaken, company profitability, and consideration of their contributions to the Company's performance, taking into account industry standards for similar positions. Furthermore, in accordance with Article 26 of the Articles of Incorporation, if there is profitability in a given year, employee compensation shall not be less than 1%. The remuneration determination and performance evaluation follow the Company's "Regulations governing Performance Evaluation of Directors and Managers." It considers the Company's overall operational performance, industry risks, and development trends, as well as the individual manager's performance and contributions to the Company. The remuneration is reasonably provided based on these evaluations. The performance evaluation includes financial indicators, such as the division of profitability contributions by each business unit based on The Company's financial statements and the manager's achievement of targets. It also includes non-financial indicators, such as the practice of the Company's core values and participation in sustainable operations. The remuneration is calculated based on the managerial performance and is subject to periodic review based on actual business conditions and relevant regulations. The performance evaluation and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors, with results reported to the shareholders' meeting prior to distribution.

3. Implementation Status of Corporate Governance:

(1) Operating Status of the Board of Directors:

A total of 6 Board meetings (A) have been held in the most recent year. The attendance of director is as follows:

| Title | Name | Attendance in Person B | By Proxy | Attendance Rate (%) [B/A] (Note) | Remarks |
|----------------------|---|------------------------|----------|-----------------------------------|---------|
| Chairman | Kuan-Hua Chen | 6 | 0 | 100.00% | |
| Director | Jung-Tung Chen | 5 | 0 | 83.33% | |
| Director | HUIKWANG INVESTMENT CO., LTD. Representative(s): Chiu-Ying Tang | 6 | 0 | 100.00% | |
| Director | Yu-Zheng Kuo | 6 | 0 | 100.00% | |
| Independent Director | Ming-Zhi Tsai | 6 | 0 | 100.00% | |
| Independent Director | Ming-Tang Tsai | 6 | 0 | 100.00% | |
| Independent Director | Bo-Ren Chang | 6 | 0 | 100.00% | |

Other Mentionable Items:

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified: please refer to (11) 2. Descriptions on Important Resolutions of this Annual Report.
 - Matters provided for in Article 14-3 of the Securities and Exchange Act.
 - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the Board of Directors.

2. Implementation of Director recusal from proposal(s) involving personal interest

| Date of Board of Directors Meeting | Name of Director(s) | Proposal | Reason(s) for Recusal | Voting Situation |
|------------------------------------|--|--|---|--|
| 2022.01.20 | Kuan-Hua Chen Hui Kwang Investment Co., Ltd. Representative Chiu-Ying Tang | Year-end salary and remunerations and salary adjustment for the managerial officers. | The said parties are managerial roles of this proposal. | Except for the two directors recusing themselves from voting of this proposal for avoidance of interest, the other attending directors have made relevant discussions and adopted the proposal through resolution. |

3. Implementation of Self-Evaluation by the Board of Directors of the Company:

| Evaluation Cycle | Evaluation Period | Scope of Evaluation | Evaluation Method | Evaluation Items |
|------------------|--|--|--|--|
| Once a year | January 1 to December 31, 2022 (for evaluation of performance) | Overall Board of Directors, Individual Director, and Functional Committee(s) | Internal Self-Evaluation by the Board of Directors and Functional Committee(s) | Overall Board of Directors: Five items including degree of participation in Company operations Individual Director: Six items including grasp over Company goals and tasks Functional Committee(s): Five items including degree of participation in Company operations |

4. Goals for Strengthening Competency of the Board of Directors in the Current Year and the Most Recent Year and Evaluation on the Implementation:

On December 29, 2011, the Company established its Remuneration Committee, with relevant regulations "Organizational Charter for the Remuneration Committee" and "Regulations governing Evaluations of Directors

and Managerial Officers' Performance" adopted. The Committee is responsible for implement recommendations, evaluating and supervising the Company's overall compensation policy, level of salary for General Manager(s) and managerial officers, employee stock option plan and employee bonus plan, or other employee incentive plans. On June 28, 2017, the Company established its Audit Committee consisting of three independent directors and responsible for auditing the Company's financial statements, the appointment (dismissal) of CPAs and their independence and performance, supervision of the implementation of the Company's internal control, the Company's compliance with relevant laws, regulations and rules, and the management and control of the Company's existing or potential risks, etc.; since the establishment of the Audit Committee, CPAs and related personnel have been invited to participate in the discussion during the meetings.

Attendance of Independent Directors in 2022 Board of Directors Meetings: ●: Attendance in Person; ☆: Attendance by Proxy; ○: Did not attend

| Name | 1 st | 2 nd | 3 rd | 4 th | 5 th | 6 th | Remarks |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| Ming-Zhi Tsai | ● | ● | ● | ● | ● | ● | |
| Ming-Tang Tsai | ● | ● | ● | ● | ● | ● | |
| Bo-Ren Chang | ● | ● | ● | ● | ● | ● | |

Note: Attendance Rate (%) of each director is calculated by number of attendances in person divided number of Board of Directors meetings convened throughout the term of office.

(2) Operation Overview of Audit Committee:

Independent directors of the Company were elected in the regular shareholders' meeting convened on June 14, 2020, and the Company has established its Audit Committee to substitute the supervisors. A total of 6 Committee meetings (A) have been held in the most recent year. The attendance of independent director is as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate(%) (B/A) (Note) | Remarks |
|----------------------|----------------|--------------------------|----------|---------------------------------|---------|
| Independent Director | Ming-Zhi Tsai | 6 | 0 | 100% | |
| Independent Director | Ming-Tang Tsai | 6 | 0 | 100% | |
| Independent Director | Bo-Ren Chang | 6 | 0 | 100% | |

Other Mentionable Items:

- If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.
 - Matters referred to in Article 14-5 of the Securities and Exchange Act: In 2022, a total of 6 Audit Committee meetings were held, with contents of resolutions provided as Note 1 (please refer to Page 22). The Audit Committee members have unanimously resolved the matters referred to in Article 14-5 of the Securities and Exchange Act.
 - Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.
- If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: There was no proposal requiring recusal by independent directors for potential involvement in personal interest in the Company's Audit Committee in 2022.
- Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.): For Summary of communications among independent directors and internal audit managers and accountants in 2022, please refer to Notes 2 and 3 (Page 23).

Note: Attendance Rate (%) of each director is calculated by number of attendances in person divided number of Audit Committee meetings convened throughout the term of office.

Note 1 Opinions or Resolutions on Material Proposals by the Audit Committee

| Board of Directors | Proposal | Matters referred to in Article 14-5 of the Securities and Exchange Act | Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors |
|--|--|--|---|
| 2022.01.20 (19 th Audit Committee) (12 th Meeting) | <ul style="list-style-type: none"> ● 2021 Year-end Salary and Remunerations and 2022 Salary Adjustment for the Managerial Officers of the Company. ● To Amend Partial Articles of the Company's "Corporate Governance Best Practice Principles". ● To Amend Partial Articles of the Company's "Directions for the Implementation of Continuing Education for Directors". | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |
| 2022.03.04 (19 th Audit Committee) (13 th Meeting) | <ul style="list-style-type: none"> ● Loan of Funds by the Company to its re-invested company HUITEX Limited. | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |
| 2022.03.29 (19 th Audit Committee) (14 th Meeting) | <ul style="list-style-type: none"> ● 2021 Distribution of Employees and Directors' Compensation and Transfer of Employees' Compensations to Issuance of New Shares. ● 2021 Business Report and Financial Statements. ● 2021 Earnings Distribution. ● To report the Company's 2021 Statement on Internal Control. ● Evaluation over Independence and Competence of the CPAs and Appointment thereof. ● To Amend Partial Articles of the Company's "Rules of Procedure for Shareholders Meetings". ● To Amend Partial Articles of the Company's "Corporate Governance Best Practice Principles". ● To Amend Partial Articles of the Company's "Handling Procedure for Acquisition and Disposal of Assets". ● Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |
| 2022.05.10 (19 th Audit Committee) (15 th Meeting) | <ul style="list-style-type: none"> ● Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |
| 2022.08.09 (19 th Audit Committee) (16 th Meeting) | <ul style="list-style-type: none"> ● Replacement of Auditing and Attesting CPAs in Response to Internal Administrative Restructuring by PricewaterhouseCoopers Taiwan. ● To report the Company's Q2 2022 Consolidated Financial Statements. ● Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |
| 2022.11.08 (19 th Audit Committee) (17 th Meeting) | <ul style="list-style-type: none"> ● To adopt 2023 Audit Plans. ● Change to the Internal Audit Manager and Acting Spokesperson of the Company. ● To Amend Partial Articles of the Company's "Procedures for Handling Material Inside Information and Prevention of Insider Trading". ● To Amend Partial Articles of the Company's "Rules of Procedure for Board of Directors Meetings". ● Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None |
| | Audit Committee Review Results: The proposal has been resolved unanimously by all attending members. | | |
| | Implementation Status of Audit Committee Opinions by the Company: The proposal has been resolved unanimously by all attending members. | | |

Note 2 Summary of Communications between Independent Director and Internal Audit Manager

| Date | Summary of Communications |
|--|---|
| 2022.03.29 Communication Meeting amongst the Independent Directors only | <ul style="list-style-type: none"> To report 2021 Statement on Internal Control and Audit Deficiencies Tracking. |
| 2022.03.29 Between the Board of Directors and the Audit Committee of the Company | <ul style="list-style-type: none"> 2021.11.01-2022.03.18 Reporting of the internal audit affairs. 2021 Statement on Internal Control. |
| 2022.05.10 Between the Board of Directors and the Audit Committee of the Company | <ul style="list-style-type: none"> 2022.03.19-2022.04.29 Reporting of the internal audit affairs. |
| 2022.08.09 Between the Board of Directors and the Audit Committee of the Company | <ul style="list-style-type: none"> 2022.04.30-2022.07.31 Reporting of the internal audit affairs. |
| 2022.11.08 Communication Meeting amongst the Independent Directors only | <ul style="list-style-type: none"> To report 2023 Audit Plans. Compiled reporting on Audit Deficiencies and Improvements thereof in January to October, 2022. |
| 2022.11.08 Between the Board of Directors and the Audit Committee of the Company | <ul style="list-style-type: none"> 2022.08.01-2022.10.31 Reporting of the internal audit affairs. |

Note 3 Summary of Communications between Independent Director and CPA

| Date | Summary of Communications |
|---|--|
| 2022.03.29 Communication Meeting amongst the Independent Directors only | <ul style="list-style-type: none"> Reporting on completion of 2021 financial report audits and communications of relevant affairs. |
| 2022.03.29 Audit Committee | <ul style="list-style-type: none"> CPA reporting and explanations on 2021 Consolidated and Parent-only Financial Statements audit results and questions from independent directors. |
| 2022.05.10 Audit Committee | <ul style="list-style-type: none"> CPA reporting and explanations on Q1 2022 Consolidated Financial Statements audit results and questions from independent directors. |
| 2022.08.09 Audit Committee | <ul style="list-style-type: none"> CPA reporting and explanations on Q2 2022 Consolidated Financial Statements audit results and questions from independent directors. |
| 2022.11.08 Communication Meeting amongst the Independent Directors only | <ul style="list-style-type: none"> Reporting on planned matters concerning the audit of 2022 Financial Statements. |
| 2022.11.08 Audit Committee | <ul style="list-style-type: none"> CPA reporting and explanations on Q3 2022 Consolidated Financial Statements audit results and questions from independent directors. |

(3) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

| Evaluation Items | Implementation Status (Note) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|-------------------------------|----|--|--|
| | Yes | No | Summary Description | |
| 1. Has the Company established and disclosed its Corporate Governance Best Practice Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies? | ✓ | | The Company has, in accordance with “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies” promulgated its “Corporate Governance Best Practice Principles” and has disclosed these Principles at the Market Observation Post System and the Corporate Website http://www.huikwang.com/公司治理專區/重要規章/公司治理實務守則 for reference. | None |
| 2. Shareholding Structure and Shareholders’ Rights | | | | |
| (1) Does the Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly? | ✓ | | (1) The Company has appointed designated personnel responsible for stock affairs, and the contact information of the dedicated personnel and specific contacts have been disclosed on the Corporate Website’s “Investor Services” section for inquiries. This serves as a service window for handling shareholder suggestions or disputes, ensuring the protection of shareholders’ rights in accordance with relevant corporate governance practices. | None |
| (2) Does the Company know the identity of its major shareholders and the parties with ultimate control of the major shareholders? | ✓ | | (2) The Company fully understands and grasps the major shareholders and shareholder structure through a stock affairs agency. Furthermore, in accordance with Article 25 of the Securities and Exchange Act, any changes in equity holdings by insiders are reported monthly to the Market Observation Post System (MOPS), a designated website of the Securities and Futures Bureau. | None |
| (3) Has the Company built and implemented a risk management system and a firewall between the Company and its affiliated enterprises? | ✓ | | (3) The Company’s internal control covers risk management at the corporate level and operational activities at the operational level. The Company has adopted its “Transaction Management Measures for Related Parties” and “Supervision and Management of Subsidiaries” procedures as well as “Operating Standards for Financial Transactions among Related Enterprises” based on corporate governance principles to implement risk control mechanisms for subsidiaries and related companies through established procedures and regulations. | None |
| (4) Has the Company established internal rules prohibiting insider trading of securities based on undisclosed information? | ✓ | | (4) The Company has adopted its “Handling Procedures for Internal Material Information and Prevention of Insider Trading”, “Ethical Corporate Management Best Practice Principles”, and “Procedures for Ethical Management and Guidelines for Conduct”, communicated to insiders annually to prevent insiders from trading securities based on undisclosed material information. | None |
| 3. Composition and Responsibilities of the Board of Directors | | | | |
| (1) Have a diversity policy and specific management objectives been adopted for the board and have they been fully implemented? | ✓ | | (1) The Company has adopted its Corporate Governance Best Practice Principles to enhance the organizational structure of the Board of Directors and has formulated a policy to promote diversity in the composition of the Board of Directors. The | None |

| Evaluation Items | Implementation Status (Note) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-------------------------------|----|---|--|
| | Yes | No | Summary Description | |
| (2) Has the Company voluntarily established other functional committees in addition to the remuneration committee and the audit committee? | ✓ | | <p>implementation details are disclosed in pages 8 to 12 of this annual report and on the Corporate Website www.huikwang.com/公司治理專區/董事會組織架構、執行情形.</p> <p>(2) The Company has established its Remuneration Committee in compliance with the law since 2011 and voluntarily set up an Audit Committee in 2017 to replace the supervisors. In the future, the Company will consider establishing other functional committees based on legal requirements or practical needs.</p> | None |
| (3) Has the Company established rules and methodology for evaluating the performance of its Board of Directors, implemented the performance evaluations on an annual basis, and submitted the results of performance evaluations to the board of directors and used them as reference in determining salary/compensation for individual directors and their nomination and additional office terms? | ✓ | | <p>(3) The Company has passed the "Measures for Board of Directors' Self-Evaluation or Peer Evaluation" According to these Measures, the performance evaluation of the Board of Directors for the previous fiscal year must be completed by the nearest Board of Directors meeting at the end of each fiscal year. The evaluation results serve as a reference for the selection or nomination of independent directors in the future. The performance evaluation results for the fiscal year 2022 were reported to the Board of Directors on March 27, 2023, and based on the evaluation results, the operations of the Board of Directors and functional committees were considered effective. Please refer to page 20 of this Annual Report and the Corporate Website for more information www.huikwang.com/公司治理專區/董事會及功能性委員會績效評估辦法及說明.</p> | None |
| (4) Does the Company regularly evaluate its external auditors' independence? | ✓ | | <p>(4) The Company's Finance Department completed an evaluation of the independence of the certified public accountants in 2022 and obtained a statement of independence from the certified public accountants, the results of which were submitted to the Audit Committee and the Board of Directors for consideration and approval on March 29, 2022. The Company's Code of Corporate Governance Practices was revised and approved by the Board of Directors in 2023. The Code stipulates that the appropriateness and independence of the accountants employed should be evaluated regularly (at least once a year) by reference to audit quality indicators (AQIs), and the results should be submitted to the Audit Committee and the Board of Directors for consideration and approval. The results of the assessment were approved by the Audit Committee and the Board of Directors on March 27, 2023, and are listed in Note 2.</p> | None |
| 4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and has it appointed a chief corporate governance officer with responsibility corporate governance practices (including but not limited to providing information necessary for | ✓ | | <p>The Company has appointed the Finance Department as the concurrent unit responsible for corporate governance matters. On May 9, 2023, the Board of Directors approved the appointment of Ms. Anita Chu, Assistant General Manager of the General Management Division, as the supervisor in charge. Ms. Chu possesses more than three years of experience in financial or equity management in publicly traded companies. Her main responsibilities include providing necessary information to the directors and independent</p> | None |

| Evaluation Items | Implementation Status (Note) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-------------------------------|----|--|--|
| | Yes | No | Summary Description | |
| directors and supervisors to perform their duties, aiding directors and supervisors in complying with laws and regulations, organizing board meetings and annual general meetings of shareholders as required by law, and compiling minutes of board meetings and annual general meetings)? | | | <p>directors for their business execution, handling matters related to board meetings and shareholders' meetings in compliance with the law, managing company registration and changes, preparing minutes of board and shareholders' meetings, and staying updated on the latest developments in relevant regulations concerning company operations. The performance of the Finance Department in the fiscal year 2022 is as follows:</p> <ul style="list-style-type: none"> ● Regularly informing the Board members about the latest regulatory revisions and developments related to the Company's business operations and corporate governance. ● Evaluated the purchase of directors' and managers' liability insurance in October 2022 and reported the purchase status to the Board of Directors on November 8, 2022 ● Preparing the agenda for Board meetings and send meeting notices and materials to the directors and relevant attendees at least seven days before the meeting. If there are agenda items that require recusal due to conflicts of interest, a reminder in advance will be given. The meeting minutes shall be completed and distributed within twenty days after the meeting. ● To implement corporate governance practices, the performance evaluation results of the Board of Directors shall be submitted to the latest Board of Directors meeting at the end of each fiscal year. ● In accordance with Article 10 of the Company's "Corporate Governance Best Practice Principles," insiders are prohibited from trading their stocks within 18 hours from the time they become aware of the Company's financial reports or related performance information, as well as within 30 days before the announcement of annual financial reports and 15 days before the announcement of quarterly financial reports. To safeguard shareholder rights, relevant insiders and directors were notified via email on April 18, 2023 to facilitate their compliance with these regulations. | |
| 5. Has the Company established channels for communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) and created a stakeholders section on its company website? Does the Company appropriately respond to stakeholders' questions and concerns on important corporate social responsibility issues? | ✓ | | <p>To establish an open, transparent, and effective communication channel with stakeholders, the Company has set up a dedicated section on its website for stakeholders. The URL for the stakeholder section is provided below. The section serves as a communication contact point for stakeholders to express their thoughts and needs. All feedback received from stakeholders will be handled and responded to by the respective dedicated personnel. Stakeholders' Section on Corporate Website: http://www.huikwang.com/公司治理專區/企業社會責任/利害關係人</p> <p>To safeguard the privacy rights of stakeholders, the Company has established a comprehensive cyber security management mechanism. In addition, we are committed to adhering to strict control regulations and maintaining protective measures to ensure the security and confidentiality of stakeholders' information.</p> | None |

| Evaluation Items | Implementation Status (Note) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|-------------------------------|----|---|--|
| | Yes | No | Summary Description | |
| 6. Has the Company appointed a professional shareholder services agent to handle matters related to its shareholder meetings? | ✓ | | The Company has appointed Department of Stock Affairs Agency Services, SinoPac Securities Corporation to assist in handling matters related to the shareholders' meeting. | None |
| 7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance status? | ✓ | | (1) The Company has established its website to disclose financial information and has a dedicated section for corporate governance. It is regularly updated to provide references for investors. The Corporate Website URL is as follows: Financial Information: www.huikwang.com/投資人關係 Corporate Governance Section: www.huikwang.com/公司治理專區 | None |
| (2) Does the Company use other information disclosure channels (e.g., maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)? | ✓ | | (2) The Company's website has a bilingual search function and is managed by designated personnel responsible for collecting and disclosing company information. The website also includes information about the Company's spokesperson and proxy spokesperson. | None |
| (3) Does the Company publish and report its annual financial report within two months after the end of the fiscal year, and publish and report its financial reports for the first, second, and third quarters as well as its operating statements for each month before the specified deadlines? | | ✓ | (3) The Company does not announce and file the annual financial report within two months after the end of the fiscal year. However, the Company consistently announces and files the first, second, and third quarter financial reports, as well as monthly operational data, within the prescribed deadlines. | Partially Compliant |
| 8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' continuing education, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing liability insurance for directors and supervisors)? | ✓ | | 1. Employee Benefits and Employee Care: To ensure that employees have a comprehensive welfare system and as a means for valuing relationship with employees, the Company has established its Employee Welfare Committee, arranged regular health check-ups and employee trips. 2. Supplier Relationships: The Group maintains close interaction with suppliers to strike a balance between procurement costs and supplier profitability. 3. Investor Relations: The Company's primary goal is to safeguard shareholders' rights and treat all shareholders fairly. In addition to promptly disclosing significant information such as financials, business updates, and insider shareholding changes on the "MOPS" platform as required, the Company's website also includes an investor relations and corporate governance section, providing financial, business, and governance information for investor reference. 4. The Company has adopted its Rules of Procedure for Directors' Meetings to ensure the avoidance of conflicts of interest by directors and properly implemented them. 5. Status concerning Continuing Education by the Directors and Independent Directors is as follows: | None |

| Evaluation Items | Implementation Status (Note) | | | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------|-------------------------------|--|---|-------|------|--|--------|-------|----------|---------------|-----------------|---|---|----------|--------------|---|---|---|----------|--------------|---|---|---|----------------------|---------------|---|---|---|----------------------|---------------|---|---|---|----------------------|----------------|--|---|---|----------------------|--------------|--|--|---|--|--|---|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Organizer</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Kuan-Hua Chen</td> <td>Taipei Exchange</td> <td>Internal Stock Ownership Advocacy Workshop for TWSE/TPEX Listed Companies</td> <td>3</td> </tr> <tr> <td>Director</td> <td>Yu-Zheng Kuo</td> <td>Taiwan Corporate Governance Association</td> <td>Global Trends and Business Opportunities in the 2022 Low Carbon Economy and Corporate Low Carbon Innovation</td> <td>3</td> </tr> <tr> <td>Director</td> <td>Yu-Zheng Kuo</td> <td>Taiwan Corporate Governance Association</td> <td>ESG-related Legal Issues to be Considered by the Board of Directors</td> <td>3</td> </tr> <tr> <td>Independent Director</td> <td>Ming-Zhi Tsai</td> <td>Taiwan Corporate Governance Association</td> <td>Corporate Governance and Securities Regulations</td> <td>3</td> </tr> <tr> <td>Independent Director</td> <td>Ming-Zhi Tsai</td> <td>Taiwan Corporate Governance Association</td> <td>How Directors and Supervisors Supervise the Establishment and Promotion of Effective Risk Management Systems in the Company</td> <td>3</td> </tr> <tr> <td>Independent Director</td> <td>Ming-Tang Tsai</td> <td>Accounting Research and Development Foundation</td> <td>Latest Amendments to the "Internal Control Processing Guidelines" and Best Practices for Cyber Security and Anti-Fraud Compliance</td> <td>6</td> </tr> <tr> <td>Independent Director</td> <td>Bo-Ren Chang</td> <td>Accounting Research and Development Foundation</td> <td>Investigation Practices and Case Analysis of Corporate Fraud</td> <td>6</td> </tr> </tbody> </table> | Title | Name | Organizer | Course | Hours | Chairman | Kuan-Hua Chen | Taipei Exchange | Internal Stock Ownership Advocacy Workshop for TWSE/TPEX Listed Companies | 3 | Director | Yu-Zheng Kuo | Taiwan Corporate Governance Association | Global Trends and Business Opportunities in the 2022 Low Carbon Economy and Corporate Low Carbon Innovation | 3 | Director | Yu-Zheng Kuo | Taiwan Corporate Governance Association | ESG-related Legal Issues to be Considered by the Board of Directors | 3 | Independent Director | Ming-Zhi Tsai | Taiwan Corporate Governance Association | Corporate Governance and Securities Regulations | 3 | Independent Director | Ming-Zhi Tsai | Taiwan Corporate Governance Association | How Directors and Supervisors Supervise the Establishment and Promotion of Effective Risk Management Systems in the Company | 3 | Independent Director | Ming-Tang Tsai | Accounting Research and Development Foundation | Latest Amendments to the "Internal Control Processing Guidelines" and Best Practices for Cyber Security and Anti-Fraud Compliance | 6 | Independent Director | Bo-Ren Chang | Accounting Research and Development Foundation | Investigation Practices and Case Analysis of Corporate Fraud | 6 | | | <p>6. Insuring of Liability Insurance for Directors and Managers: The Company has complied with the law by insuring its directors and managers the liability insurance. In addition, the Company reports the insured amount, coverage scope, and insurance premium rates to the board of directors on an annual basis. The coverage period for the latest insurance policy is from October 2022 to September 2023.</p> <p>Implementation of Risk Management Policy and Risk Assessment Standards: The Company evaluates and analyzes significant operational policies, investment projects,</p> |
| Title | Name | Organizer | Course | Hours | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chairman | Kuan-Hua Chen | Taipei Exchange | Internal Stock Ownership Advocacy Workshop for TWSE/TPEX Listed Companies | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yu-Zheng Kuo | Taiwan Corporate Governance Association | Global Trends and Business Opportunities in the 2022 Low Carbon Economy and Corporate Low Carbon Innovation | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Director | Yu-Zheng Kuo | Taiwan Corporate Governance Association | ESG-related Legal Issues to be Considered by the Board of Directors | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ming-Zhi Tsai | Taiwan Corporate Governance Association | Corporate Governance and Securities Regulations | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ming-Zhi Tsai | Taiwan Corporate Governance Association | How Directors and Supervisors Supervise the Establishment and Promotion of Effective Risk Management Systems in the Company | 3 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ming-Tang Tsai | Accounting Research and Development Foundation | Latest Amendments to the "Internal Control Processing Guidelines" and Best Practices for Cyber Security and Anti-Fraud Compliance | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Bo-Ren Chang | Accounting Research and Development Foundation | Investigation Practices and Case Analysis of Corporate Fraud | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Evaluation Items | Implementation Status (Note) | | | Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|------------------|------------------------------|----|--|--|
| | Yes | No | Summary Description | |
| | | | endorsements and guarantees, fund lending, bank financing, and other major proposals through the appropriate departments and executes them based on board resolutions. The Audit Department formulates its annual audit plan based on risk assessment results and carries it out diligently to ensure the implementation of supervisory mechanisms and control of various risk management processes. | |

9. Please describe improvements that have already been made based on the Corporate Governance Evaluation results released for the most recent fiscal year by the Corporate Governance Center, Taiwan Stock Exchange, and specify the priority enhancement objectives and measures planned for any matters still awaiting improvement.

- The matters improved based on 2022 Corporate Governance Evaluations of the Company are as follows:

| Items | Evaluation Indicators | Details of the Improvement |
|-------|---|---|
| 1 | Has the Company established a policy on diversification of Board of Directors members and disclosed the specific management objectives and implementation status of the diversity policy on the Corporate Website and Annual Reports? | The Company, in accordance with the "Corporate Governance Best Practice Principles," considers diversification in the composition of the Board of Directors, implements specific management measures, and discloses the implementation status in the Annual Reports and on the Corporate Website. |

- The Deficiencies to Improve and Measures based on 2022 Corporate Governance Evaluations of the Company are as follows:

| Items | Evaluation Indicators | Deficiencies to Improve and Measures |
|-------|---|---|
| 1 | Does the Company establish written regulations regarding financial transactions with related parties, including management procedures for sales and purchases, acquisition or disposal of assets, and require significant transactions to be approved by the Board of Directors and obtain shareholder consent or reporting? | The Company has proposed to establish written regulations regarding financial transactions with related parties, including management procedures for sales and purchases, acquisition or disposal of assets, and require significant transactions to be approved by the Board of Directors and obtain shareholder consent or reporting. |
| 2 | Does the Company upload the English translation of the meeting notice, agenda, and supplementary materials on the Corporate Website at least 30 days before the shareholder's meeting? | The Company has planned to upload the English translation of the meeting notice, agenda, and supplementary materials on the Corporate Website at least 30 days before the shareholder's meeting. |
| 3 | Does the Company upload the English version of the annual report on the Corporate Website at least 16 days before the shareholder's meeting? | The Company has planned to upload the English version of the Annual Reports on the Corporate Website at least 16 days before the shareholder's meeting. |
| 4 | Has the Company established and disclosed internal regulations on the prohibition of directors or employees from trading securities using undisclosed information in the market on the Corporate Website? The content includes (but is not limited to) directors not being allowed to trade their stocks during the 30-day period before the annual financial report announcement and the 15-day period before the quarterly financial report announcement, and explanation of the implementation status. | The Company has proposed to amend Article 10 of the "Corporate Governance Best Practice Principles" and notify directors and insiders of the relevant provisions within the specified period. |

| | | | |
|---|--|---|--|
| 5 | Are the interim financial reports approved by the Audit Committee and presented to the Board of Directors for discussion and resolution? | The Company has proposed that all interim financial reports require the approval of the Audit Committee and be presented to the Board of Directors for discussion and resolution. | |
|---|--|---|--|

Note 1: Evaluation Standards for Accountants' Independence in 2022

| Assessment Items | Assessment Results | Compliance with Independence(Yes/No) |
|---|--------------------|--------------------------------------|
| 1. Does the accountant have direct or significant indirect financial interests with the Company? | No | Yes |
| 2. Whether the accountant has any financing or assurance activities with the Company or its directors. | No | Yes |
| 3. Whether the accountant has close business relationships and potential employment relationships with the Company. | No | Yes |
| 4. Whether the accountant and the members of the audit team held any directorships, managerial positions, or positions of significant influence over the audit work of the Company during the audit period. | No | Yes |
| 5. Whether the accountant has provided any non-audit services to the Company that may directly affect the audit work. | No | Yes |
| 6. Whether the accountant has brokered any stock or other securities issued by the Company. | No | Yes |
| 7. Has the accountant acted as an advocate for the Company or coordinated conflicts with other third parties on behalf of the Company? | No | Yes |
| 8. The accountant is not related to any of the Company's directors, managers or persons who have significant influence on the audit. | No | Yes |

Note 2: Criteria for Assessing Accountants' Appropriateness and Independence in 2023

| Assessment Items | Assessment Results | Compliance with Appropriateness and Independence(Yes/No) |
|---|--------------------|--|
| Component 1: Professionalism | | |
| 1. Whether the senior auditors have sufficient audit experience to perform the audit. | Yes | Yes |
| 2. Whether the accountants and senior auditors receive sufficient annual education and training to continuously acquire professional knowledge and skills. | Yes | Yes |
| 3. Whether the firm maintains sufficient senior human resources. | Yes | Yes |
| 4. Whether the firm has sufficient professional staff to support the audit team. | Yes | Yes |
| Component 2: Quality Control | | |
| 1. Is the accountant's workload too heavy? | No | Yes |
| 2. Whether the audit team members are appropriately engaged in each audit phase. | Yes | Yes |
| 3. Whether the EQCR accountant devotes sufficient hours to review audit cases. | Yes | Yes |
| 4. Whether the firm has sufficient quality control manpower to support the audit team. | Yes | Yes |
| Component 3: Independence | | |
| 1. Does the accountant have direct or significant indirect financial interests with the Company? | No | Yes |
| 2. Whether the accountant has any financing or assurance activities with the Company or its directors. | No | Yes |
| 3. Whether the accountant has close business relationships and potential employment relationships with the Company. | No | Yes |
| 4. Whether the accountant and the members of the audit team held any directorships, managerial positions, or positions of significant influence over the audit work of the Company during the audit period. | No | Yes |
| 5. Whether the accountant has provided any non-audit services to the Company that may directly affect the audit work. | No | Yes |
| 6. Whether the accountant has brokered any stock or other securities issued by the Company. | No | Yes |
| 7. Has the accountant acted as an advocate for the Company or coordinated conflicts with other third parties on behalf of the Company? | No | Yes |
| 8. The accountant is not related to any of the Company's directors, managers or persons who have significant influence on the audit. | No | Yes |
| Component 4: Supervision | | |
| 1. Whether the firm's quality control and audit cases are performed in accordance with relevant laws and regulations and standards. | Yes | Yes |
| Component 5: Innovation | | |
| 1. Does the firm have the ability to innovate, plan and actively implement in order to improve audit efficiency and ensure audit quality? | Yes | Yes |

(4) Implementation Status of the Remuneration Committee:

1. Information of the Remuneration Committee Members

| Role | Name | Conditions | Professional Qualifications and Experience | Independence Status | Number of Companies the Member Concurrently Serve as a Remuneration Committee Member |
|---------------------------------|----------------|------------|--|---------------------|--|
| Independent Director (Convenor) | Bo-Ren Chang | | Please refer to Disclosures of Information for Directors' Professional Qualifications and Independence of Independent Directors on Page 10 | | 1 |
| Independent Director | Ming-Zhi Tsai | | | | 1 |
| Independent Director | Ming-Tang Tsai | | | | 3 |

2. Responsibilities of Remuneration Committee:

To assist the Board of Directors in the implementation and regular evaluation and reviews of the Company's policies, systems, standards and structures for salary and remunerations of the directors and managerial officers of the Company. Furthermore, the Remuneration Committee shall faithfully perform the following duties with the due care of a good administrator, and submit its recommendations to the Board of Directors for discussion.

- (1) Formulating and reviewing on a regular basis the policies, systems, standards and structures of director and managerial officers' performance evaluation and salary and remunerations.
- (2) Evaluating and determining the salaries of director and managerial officers on a regular basis.

3. Information for Implementation Status of Remuneration Committee:

- (1) The Company's Remuneration Committee is composed of 3 members.
- (2) Term of Contract for the existing members: from June 15, 2020 to June 14, 2023. In the most recent year, the Remuneration Committee convened 3 meetings (A), with attendance and member qualifications as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%) (B/A) (Note) | Remarks |
|----------|----------------|--------------------------|----------|-----------------------------------|---------|
| Convenor | Bo-Ren Chang | 3 | 0 | 100 | |
| Member | Ming-Zhi Tsai | 3 | 0 | 100 | |
| Member | Ming-Tang Tsai | 3 | 0 | 100 | |

Other Mentionable Items:

1. Where the Board of Directors does not adopt or amends suggestions by the Remuneration Committee, Board of Directors meeting date, period, contents of proposal, Board of Directors resolutions and Company response to Remuneration Committee opinions should be specified (e.g. where the remunerations adopted by the Board of Directors is more preferable than the amounts suggested by the Remuneration Committee, the deviation and reason for such deviation shall be specified): None.
2. Where a member expresses objection or reserved opinions to resolution by the Remuneration Committee and a record or written statement is in place, Remuneration Committee meeting date, period, contents of proposal, opinions of all members and response to member opinions should be specified: Please refer to descriptions in (3).

Note: Attendance Rate (%) of each member is calculated by number of attendances in person divided number of the Remuneration Committee meetings convened throughout the term of office.

(3) Discussion Matters and Their Resolutions:

| Remuneration Committee | Discussion Matters | Remuneration Committee Resolutions and Corresponding Response by the Company |
|---|---|--|
| 5 th Meeting of 4 th Remuneration Committee 2022.01.20 | 1. 2021 Year-end Salary and Remunerations for the Managerial Officers of the Company. 2. Review of 2022 Salary and Remunerations Items Proposed for Implementation by the Company. | The proposal has been resolved unanimously by all attending members. |
| 6 th Meeting of 4 th Remuneration Committee 2022.03.29 | 1. 2021 Distribution of Employees and Directors' Compensation and Transfer of Employees' Compensations to Issuance of New Shares. | The proposal has been resolved unanimously by all attending members. |
| 7 th Meeting of 4 th Remuneration Committee 2022.05.10 | 1. Review of 2021 Distribution Plan of Remunerations for the Directors. 2. Review of 2021 Distribution Plan of Employees' Compensations by the Managerial Officers. | The proposal has been resolved unanimously by all attending members. |

(5) Promotion of Sustainable Development – Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

| Promotion Items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|---------------------|----|--|--|
| | Yes | No | Summary Description | |
| 1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board? | | ✓ | The Company has not yet established a dedicated unit for sustainable development. The responsibility for fulfilling sustainable development lies with each department according to their respective areas of expertise. | The Company has proposed to establish a dedicated (concurrent) unit for promoting sustainable development. |
| 2. Does the Company conduct risk assessments of environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies? | | | The Company has not yet formulated a sustainable development policy. In the future, the Company will consider legal requirements and the protection of shareholders' rights, among other factors, and will timely promote the establishment of a dedicated unit for sustainable development to drive the implementation of sustainable development responsibilities and enhance corporate governance. | Albeit without complete system yet, all conducts of the Company have been implemented in the spirits of the “Sustainable Development Best Practice Principles” |
| 3. Environmental Issues (1) Has the Company set an environmental management system designed to industry characteristics? (2) Does the Company endeavor to use energy more efficiently and to use renewable materials with low environmental impact? (3) Has the Company evaluated the potential risks and opportunities posed by climate change for its business now and in the future and adopted relevant measures to address them? | ✓ ✓ ✓ | | (1) The Company has established an Environmental and Safety Office responsible for establishing, promoting, and monitoring environmental management operations. All pollution prevention and control measures are effectively managed, and regular external and internal audits are conducted at the treatment plants to ensure compliance with regulations. The Company has also obtained ISO 14001 certification for its environmental management system, enhancing pollution prevention and control. (2) The Company is committed to managing the recycling of materials generated during the production process and promoting their reuse. Any industrial waste that cannot be recycled and reused is disposed of by authorized vendors to minimize environmental impact. (3) The Company has established an Environmental and Safety Office as a dedicated unit for planning, promoting, and auditing environmental and occupational safety matters. Initiatives such as solar power generation, reducing air conditioning usage at temperatures below a certain threshold, and periodic energy-saving and carbon reduction | Implemented in the spirits of the “Sustainable Development Best Practice Principles” |

| Promotion Items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|----------------|-----------|--|---|--|--|---------------------------------|--|--|------|------|------|---------|-----------|-----------|---------|----------|----------|----------------|-----------|-----------|---|--|--|----------------------|--|--|------|------|------|-----------------|-------|-------|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (4) Did the Company collect data for the past two years on greenhouse gas emissions, volume of water consumption, and the total weight of waste, and establish policies for greenhouse gas reduction, reduction of water consumption, or management of other wastes? | ✓ | | <p>campaigns are implemented to conserve water and electricity, reduce energy consumption, and lower greenhouse gas emissions.</p> <p>(4) The Company has established an Environmental and Safety Office as a dedicated unit for planning, promoting, and auditing environmental and occupational safety matters. Initiatives such as solar power generation, reducing air conditioning usage at temperatures below a certain threshold, and periodic energy-saving and carbon reduction campaigns are implemented to conserve water and electricity, reduce energy consumption, and lower greenhouse gas emissions. The greenhouse gas emissions, water usage, and total waste generated in the past two years are as follows. The data covers manufacturing-related activities in the Company's Huikwang Madou plant and has not been independently verified by a third party:</p> <table border="1"> <thead> <tr> <th colspan="3">Huikwang Madou Plant GHG Emission</th> </tr> <tr> <th colspan="3">Unit: tons of CO₂e</th> </tr> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>53,283.93</td> <td>53,195.78</td> </tr> <tr> <td>Scope 2</td> <td>4,422.12</td> <td>5,032.48</td> </tr> <tr> <td>Total Emission</td> <td>57,706.05</td> <td>58,228.26</td> </tr> </tbody> </table> <p>In 2022, the total greenhouse gas emissions from Scope 1 and Scope 2 amounted to 58,228.26 metric tons of CO₂e. The majority of emissions, accounting for 91.36%, were derived from Scope 1 sources, including diesel and natural gas emissions. The remaining 8.64% of emissions were attributed to Scope 2 electricity emissions.</p> <table border="1"> <thead> <tr> <th colspan="3">Huikwang Madou Plant Water Usage Statistics</th> </tr> <tr> <th colspan="3">Unit: Million Liters</th> </tr> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Total Discharge</td> <td>50.61</td> <td>43.47</td> </tr> </tbody> </table> | Huikwang Madou Plant GHG Emission | | | Unit: tons of CO ₂ e | | | Year | 2021 | 2022 | Scope 1 | 53,283.93 | 53,195.78 | Scope 2 | 4,422.12 | 5,032.48 | Total Emission | 57,706.05 | 58,228.26 | Huikwang Madou Plant Water Usage Statistics | | | Unit: Million Liters | | | Year | 2021 | 2022 | Total Discharge | 50.61 | 43.47 | |
| Huikwang Madou Plant GHG Emission | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unit: tons of CO ₂ e | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | 2021 | 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Scope 1 | 53,283.93 | 53,195.78 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Scope 2 | 4,422.12 | 5,032.48 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Emission | 57,706.05 | 58,228.26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Huikwang Madou Plant Water Usage Statistics | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unit: Million Liters | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Year | 2021 | 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Discharge | 50.61 | 43.47 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Promotion Items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--------|--|---|--|--|--|------------|--|--|--|--------------|------|------|--|--------------|-------|-------|--|-----------------------|--------|--------|--|-------------------|-------|-------|--|--|
| | Yes | No | Summary Description | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <table border="1"> <thead> <tr> <th colspan="4">Huikwang Madou Plant Waste Weights</th> </tr> <tr> <th colspan="4">Unit: tons</th> </tr> <tr> <th>Items \ Year</th> <th>2021</th> <th>2022</th> <th></th> </tr> </thead> <tbody> <tr> <td>Organic Slug</td> <td>59.58</td> <td>60.74</td> <td></td> </tr> <tr> <td>Scrapped Oil Mixtures</td> <td>200.63</td> <td>179.75</td> <td></td> </tr> <tr> <td>Household Garbage</td> <td>59.02</td> <td>50.67</td> <td></td> </tr> </tbody> </table> | Huikwang Madou Plant Waste Weights | | | | Unit: tons | | | | Items \ Year | 2021 | 2022 | | Organic Slug | 59.58 | 60.74 | | Scrapped Oil Mixtures | 200.63 | 179.75 | | Household Garbage | 59.02 | 50.67 | | |
| Huikwang Madou Plant Waste Weights | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Unit: tons | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Items \ Year | 2021 | 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Organic Slug | 59.58 | 60.74 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Scrapped Oil Mixtures | 200.63 | 179.75 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Household Garbage | 59.02 | 50.67 | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>4. Social Issues</p> <p>(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?</p> <p>(2) Has the Company established and implemented reasonable employee welfare measures (include salary/compensation, leave, and other benefits), and are business performance or results appropriately reflected in employee salary/compensation?</p> <p>(3) Does the Company provide employees with a safe and healthy working environment, and implement regular safety and health education for employees?</p> <p>(4) Has the Company established effective career development training programs for employees?</p> <p>(5) Does the Company comply with the relevant laws and international standards with regards to customer health and safety, customer privacy, and marketing and labeling of products and services, and implement consumer protection and grievance policies?</p> <p>(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(1) The Company complies with relevant labor laws and internal regulations, including work rules and procedures for preventing and addressing workplace harassment, to safeguard the rights of employees.</p> <p>(2) Employee compensation and benefits, including leave, are in accordance with labor standards, promoting workplace diversity and equality. The Company has established an Employee Welfare Committee and a Remuneration Committee to regularly reflect operational performance and results in employee compensation.</p> <p>(3) The Company arranges regular health check-ups for employees and organizes safety and health seminars periodically. The workplace undergoes regular inspections conducted by external organizations.</p> <p>(4) In addition to drafting education and training programs, the Company also accepts education and training requests proposed by employees and departments.</p> <p>(5) The Company ensures that its products, from raw material procurement to sales and after-sales service, comply with relevant regulations and are appropriately labeled.</p> <p>(6) The Company conducts audits on supplier-related information and the procurement department conducts</p> | Implemented in the spirits of the “Sustainable Development Best Practice Principles” | | | | | | | | | | | | | | | | | | | | | | | | |

| Promotion Items | Implementation | | | Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|----------------|----|---|--|
| | Yes | No | Summary Description | |
| on issues such as environmental protection, occupational safety and health, or labor rights, and what is the status of their implementation? | | | on-site visits to key suppliers to understand their production environments, processes, and overall conditions. The Company maintains close and good relationships with suppliers to stay informed about their situations in a timely manner. | |
| 5. Does the Company refer to international reporting standards or guidelines when preparing its sustainability report and other reports disclosing non-financial information? Does the Company obtain third party assurance or certification for the reports above? | | ✓ | The Company did not prepare a sustainability report. | Albeit without complete system yet, all conducts of the Company have been implemented in the spirits of the “Sustainable Development Best Practice Principles” |
| 6. If the Company has adopted its own sustainable development best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, please describe any deviation from the principles in the Company’s operations: The Company has not yet adopted its own principles based on the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies. | | | | |
| 7. Other important information to facilitate better understanding of the Company’s promotion of sustainable development: 1. Sponsorship to Tainan City Cultural Foundation. 2. Donations to Straits Economic & Cultural Interchange Association. 3. The Company ensures that supplier selection meets environmental requirements, and it continues to enhance the effectiveness of wastewater recycling and treatment equipment within the organization. 4. All production activities comply with environmental regulations. The Company conducts regular inspections of production equipment and engages professional organizations to conduct wastewater quality testing, among other measures, to ensure the effective implementation of environmental protection facilities. | | | | |

(6) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons:

| Evaluation Items | Implementation (Note) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|----------------------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the Company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?</p> <p>(2) Whether the Company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates, within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPE Listed Companies”?</p> <p>(3) Does the Company clearly set out the operating procedures, behavior guidelines, and punishment and appeal system for violations in the unethical conduct prevention program, implement it, and regularly review and revise the plan?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(1) The Company has implemented its "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." These documents are published on the Corporate Website under the "Corporate Governance" section. The Company conducts regular audits of its operational procedures and reports to the Board of Directors. Directors, Independent Directors, and managers have all signed integrity statements. The Company has also incorporated the "Procedures for Ethical Management and Guidelines for Conduct" into its personnel regulations, ensuring that employees' behavior aligns with ethical principles. New employees receive guidelines on behavior and conduct as part of their orientation process.</p> <p>(2) The Company designates the General Manager's Office as the dedicated unit responsible for overseeing and addressing any higher risks of unethical behavior outlined in the "Ethical Corporate Management Best Practice Principles," specifically in Article 7, Paragraph 2. In the event that such risks are identified, the dedicated unit takes appropriate preventive measures and promptly reports to the Board of Directors.</p> <p>(3) The Company strictly implements the Employee Reward and Punishment Management Measures to promote employee awareness and emphasizes integrity as the core value in its highest level of management. The Company also establishes strict ethical standards for senior supervisors. Regular audits are conducted in accordance with the "Procedures for Ethical Management and Guidelines for Conduct," and periodic reports are submitted to the Board of Directors.</p> | None |
| <p>2. Ethical Management Practice</p> <p>(1) Does the Company assess the ethics records of those it has business relationships with and include ethical conduct related clauses in the business contracts?</p> | <p>✓</p> | | <p>(1) Ethics is a top priority for the Company in its dealings with suppliers and sales customers. Relevant integrity clauses are included in contracts, and credit management for suppliers and sales</p> | None |

| Evaluation Items | Implementation (Note) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|---|-------------------------------------|----|---|--|
| | Yes | No | Summary Description | |
| <p>(2) Has the Company set up a dedicated unit to promote ethical corporate management under the board of directors, and does it regularly (at least once a year) report to the board of directors on its ethical corporate management policy and program to prevent unethical conduct and monitor their implementation?</p> <p>(3) Has the Company established policies to prevent conflict of interests, provided appropriate communication and complaint channels, and properly implemented such policies?</p> <p>(4) Does the Company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?</p> <p>(5) Does the Company provide internal and external ethical corporate management training programs on a regular basis?</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | | <p>customers is an important aspect in determining the viability of transactions.</p> <p>(2) The Company has designated the General Manager's Office as the dedicated unit for promoting ethical corporate management and regularly reports its implementation to the Board of Directors. The execution of ethical business practices in 2022 was reported to the Board of Directors on March 27, 2023.</p> <p>(3) The Company has formulated relevant policies in the "Procedures for Ethical Management and Guidelines for Conduct" to prevent conflicts of interest. It provides appropriate channels for directors, independent directors, managers, and other stakeholders attending or participating in board meetings to proactively disclose any potential conflicts of interest they may have with the Company.</p> <p>(4) The Company has established a comprehensive accounting system and timely updates it in accordance with applicable laws and regulations. It has also implemented a sound internal audit system, which conducts audits in compliance with the prescribed procedures and reports the findings to the Board of Directors. Additionally, regular audits are performed by auditors appointed by the Company.</p> <p>(5) The Company conducts regular integrity and ethical business training and education for employees under the guidance of senior supervisors. This is done to prevent any violation of ethical business practices. If suitable external training programs are available, the Company encourages directors, managers, senior supervisors, department heads, and employees to participate. Furthermore, colleagues who have attended such courses are encouraged to share the knowledge gained during the training with others and provide suggestions to the Company for continuous improvement. These efforts aim to establish a more robust system for integrity and ethical corporate practices.</p> | |
| <p>3. Implementation of Complaint Procedures</p> <p>(1) Has the Company established specific whistle-blowing and reward procedures, set up conveniently accessible whistle-blowing channels, and appointed appropriate personnel specifically responsible for handling complaints received from whistle-</p> | <p>✓</p> | | <p>(1) The Company has established a Personnel Review Committee to handle complaints, disciplinary actions, and adhere to the requirements of the disciplinary management policy. The committee is managed by the Administrative Management Department, which</p> | <p>None</p> |

| Evaluation Items | Implementation (Note) | | | Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons |
|--|-----------------------|----|--|--|
| | Yes | No | Summary Description | |
| blowers? (2) Has the Company established standard operation procedures for investigating the complaints received, follow-up measures taken after investigation, and mechanisms ensuring such complaints are handled in a confidential manner? (3) Has the Company adopted proper measures to protect whistle-blowers from retaliation for filing complaints? | ✓ ✓ | | has dedicated personnel responsible for handling these matters. (2) The Company conducts audits in accordance with relevant procedures, and confidentiality measures are implemented during the audit process. (3) Employees can submit reports or whistleblowing in accordance with the Company's management regulations. Such actions will not adversely affect the rights that employees are entitled to. | |
| 4. Strengthening Information Disclosure Does the Company disclose its ethical corporate management policies and the results of their implementation on its website and the Market Observation Post System (MOPS)? | ✓ | | The Company has adopted its "Ethical Corporate Management Best Practice Principles" and uploaded them to MOPS and the Company's "Corporate Governance Section" for easy access. The dedicated unit responsible for this will regularly assess the implementation status and disclose it in the Company's "Corporate Governance Section" under the Corporate Social Responsibility/Ethical Management Section. | None |
| 5. If the Company has adopted its own ethical corporate management best practice principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please describe any deviations between the principles and their implementation: In addition to the promulgation of "Ethical Corporate Management Best Practice Principles" based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", the Company has adopted regulations in relation to ethical corporate management including "Codes of Ethical Conduct", "Code of Employee Conducts", "Procedures for Handling Material Inside Information", "Management Procedures for the Prevention of Insider Trading", which are disclosed to all employees of the Company via e-mail and on the corporate website. | | | | |
| 6. Other important information to facilitate a better understanding of the status of operation of the Company's ethical corporate management policies (e.g., the Company's reviewing and amending of its ethical corporate management best practice principles): The information disclosed by the Company concerns the result of actual operating activities. The Company includes the philosophy of environmental protection and quality assurance in the qualifications of suppliers, engages in business transactions only with enterprises established in full compliance with applicable laws and regulations as well as suppliers or customers conducting business activities in compliance with applicable laws and regulations. The spirit of fulfilling ethical management is integrated into the Company's internal rules and regulations for compliance. | | | | |

(7) The Company shall disclose the methods for the established code of corporate governance and relevant rules, if any:

To establish a good corporate governance system and strengthen the risk management mechanism, the Company has adopted its “Articles of Incorporation”, “Rules of Procedure for Shareholders Meetings”, “Rules of Procedure for Board of Directors Meetings”, “Procedures for Election of Directors”, “Procedures for Handling Material Inside Information and Prevention of Insider Trading”, “Regulations governing Management of Company Trading with Related Parties, Specified Companies and Enterprises of the Same Group”, “Corporate Governance Best Practice Principles” based on “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”, “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Codes of Ethical Conduct”, and “Directions for the Implementation of Continuing Education for Directors and Supervisors”, all of which have been uploaded to the Market Observation Post System and disclosed on the Corporate Website for reference. For relevant contents, please visit the Corporate Website (URL: <http://www.huikwang.com>)→公司治理專區→重要規章.

(8) Other important information sufficient to enhance others’ understanding of the Company’s implementation of Corporate Governance may be disclosed altogether:

Please refer to the Corporate Website at <http://www.huikwang.com> and Market Observation Post System at <http://mops.twse.com.tw>.

(9) Implementation Status of Internal Control System

1. Statement on Internal Control:

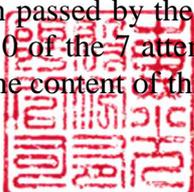
HUIKWANG CORPORATION
Statement on Internal Control

Date: March 27, 2023

The Company states the following with regard to its internal control system during fiscal year 2022, based on the findings of its self-assessment:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
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 the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company (the Exchange) judges the design and operating effectiveness of its internal control system based on the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter the “Regulations”). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details of the aforesaid items.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2022 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company'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 Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 27, 2023, where 0 of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

HUIKWANG CORPORATION



Chairman (and General Manager): Kuan-Hua Chen



Signature/Seal

2. Review Report for the Project-Based Review over the Company's Internal Control System by CPA: None.

(10) If, in the Most Recent Year and as of the Publication Date of this Annual Report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the internal control system regulations, whose result may have a material impact on shareholders' rights and interests or securities prices, the punishment content, main deficiencies and improvement status shall be specified: None.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings in the Most Recent Year and as of the Publication Date of this Annual Report:

1. The Major Resolutions adopted in the Shareholders' Meeting and their Implementations are as follows:

| Date of Shareholders' Meeting | Summary of Major Resolutions | Implementations |
|-------------------------------|---|--|
| 2022.06.22 | Acknowledgments 1. 2020 Business Report and Financial Statements. 2. 2021 Earnings Distribution. | 1. Implemented following resolutions. 2. Adopted through resolutions. A distribution of cash dividend at NT\$ 257,010,501 was proposed. The proposed distribution was later made on October 21, 2022. |
| | Matters for Discussion 1. To Amend Articles of Incorporation of the Company. 2. To Amend Partial Articles of the Company's "Rules of Procedure for Shareholders' Meeting" 3. To Amend Partial Articles of the Company's "Handling Procedure for Acquisition and Disposal of Assets". | 1. Handled in accordance with the amended procedures. 2. Handled in accordance with the amended procedures. 3. Handled in accordance with the amended procedures. |

2. Major Resolutions adopted in the Board of Directors Meetings

| Board of Directors Date/ Session | Proposal and Resolution | Matters under Article 14-3 of the Securities and Exchange Act | Opinions of Independent Directors and Company Response | Resolutions by the Board of Directors |
|--|---|---|--|--|
| 19 th Board 12 th Meeting 2022.01.20 | 1. The Company's Year-end Salary and Remunerations in 2021 and Salary Adjustment in 2022 for Managerial Officers. | V | None | Adopted as is by all attending directors without objections. |
| | 2. The Company's 2022 Operation Plans. | V | None | |
| | 3. Extension for Validity of Credits relating to the Company's Loaning from Banks. | V | None | |
| | 4. To Amend Partial Articles of the Company's "Corporate Governance Best Practice Principles". | V | None | |
| | 5. To Amend Partial Articles of the Company's "Guideline for Continuing Education of Director". | V | None | |
| 19 th Board 13 th Meeting 2022.03.04 | 1. Loan of Funds by the Company to its re-invested company HUITEX Limited. | V | None | |
| 19 th Board 14 th Meeting 2022.03.29 | 1. 2021 Distribution of Employees and Directors' Compensation and Transfer of Employees' Compensations to Issuance of New Shares. | V | None | |
| | 2. 2021 Business Report and Financial Statements. | V | None | |
| | 3. 2021 Earnings Distribution. | V | None | |
| | 4. Proposal of Statement on Internal Control for the year 2021. | V | None | |
| | 5. Evaluation over Independence and Competence of the CPAs and Appointment thereof. | V | None | |
| | 6. To Amend Partial Articles of the Company's "Articles of Incorporation". | V | None | |
| | 7. To Amend Partial Articles of the Company's Rules of Procedure for Shareholders' Meeting. | V | None | |
| | 8. To Amend Partial Articles of the Company's "Corporate Governance Best Practice Principles". | V | None | |
| | 9. To Amend Partial Articles of the Company's "Handling Procedure for Acquisition or Disposal of Assets". | V | None | |
| | 10. To Discuss Reason for Convening, Date and Location of the Regular Shareholders' Meeting of the Company for the year 2022. | V | None | |
| | 11. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None | |
| 19 th Board 15 th Meeting 2022.05.10 | 1. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V | None | |
| 19 th Board | 1. Replacement of Auditing and Attesting CPAs in Response to | V | None | |

| | | | | |
|--|--|--|--|--|
| 16 th Meeting 2022.08.09 | Internal Administrative Restructuring by PricewaterhouseCoopers Taiwan. 2. To report the Company's Q2 2022 Consolidated Financial Statements. 3. Extension for Validity of Credits relating to the Company's Loaning from Banks. 4. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V V V | None None None | |
| 19 th Board 17 th Meeting 2022.11.08 | 1. To adopt 2023 Audit Plans. 2. Extension for Validity of Credits relating to the Company's Loaning from Banks. 3. Change to the Internal Audit Manager and Acting Spokesperson of the Company. 4. To Amend Partial Articles of the Company's "Procedures for Handling Material Inside Information and Prevention of Insider Trading". 5. To Amend Partial Articles of the Company's "Rules of Procedure for Board of Directors Meetings". 6. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V V V V V V | None None None None None None | |
| 19 th Board 18 th Meeting 2023.01.12 | 1. 2022 Year-end Salary and Remunerations for the Managerial Officers of the Company. 2. The Company's 2023 Operation Plans. 3. Extension for Validity of Credits relating to the Company's Loaning from Banks. 4. Loan of Funds by the Company to its re-invested company HUITEX Limited. | V V V V | None None None None | |
| 19 th Board 19 th Meeting 2023.03.27 | 1. 2022 Distribution of Employees and Directors' Compensation and Transfer of Employees' Compensations to Issuance of New Shares. 2. 2022 Business Report and Financial Statements. 3. 2022 Earnings Distribution. 4. Proposal of Statement on Internal Control for the year 2022. 5. Re-election of Directors and Nominations Thereof. 6. Release of Prohibitions on New Directors and their Representatives from Participation in Competitive Business. 7. Evaluation over Independence and Competence of the CPAs and Appointment thereof 8. To Amend Partial Articles of the Company's "Corporate Governance Best Practice Principles" 9. To Amend Partial Articles of the Company's "Directions for the Implementation of Continuing Education for Directors and Supervisors". 10. To Amend Partial Articles of the Company's "Guidelines for Operations concerning Financial Affairs between Related Parties". 11. To Discuss Reason for Convening, Date and Location of the Regular Shareholders' Meeting of the Company for the year 2023. 12. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V V V V V V V V V V V V | None None None None None None None None None None None None | |
| 19 th Board 20 th Meeting 2023.05.09 | 1. To report the Company's Q1 2023 Consolidated Financial Statements. 2. Review on the List of Candidates of Directors (incl. Independent Directors). 3. Other Matters Proposed in the 2023 Annual General Shareholders' Meeting-Revocation of the "Release of Prohibitions on New Directors and their Representatives from Participation in Competitive Business". 4. To Appoint the Company's Corporate Governance Supervisor. 5. To Establish Dedicated Unit for Cyber Security and its Supervisor and Personnel. 6. Transfer of overdue accounts receivable of subsidiaries to loans of funds. | V V V V V V | None None None None None None | |

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Publication Date of this Annual Report: None.

(13) Resignation or Dismissal of the Company's Key Individuals including the Chairman, General Manager, Accounting Manager, Internal Auditor Manager, Corporate Governance Manager and R&D Manager: None.

4. Information Regarding the Company's Audit Fee

Amount Unit NT\$ Thousands

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit Fee | Non-Audit Fee | Total | Remarks |
|-----------------|---------------|-------------------------------|-----------|---------------|-------|---------|
| PwC Taiwan | Fang-Ting Yeh | January-December 2022 | 3,202 | 236 | 3,438 | |
| | Yung-Zhih Lin | January-December 2022 | | | | |

Services Covered by the Non-Audit Fee: tax certification, transfer pricing, and capital increase business registration services.

- (1) Where the attesting CPAs, accounting firms, and their affiliated enterprises receive non-audit fees equal to or more than one-fourth of the audit fees, the details of audit and non-audit fees as well as the disclosure of non-audit service content shall be disclosed as follows: None.
- (2) Where a replacement of accounting firm is made and the audit fee paid in the year of replacement is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: None.
- (3) Where audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed: None.

5. Replacement of CPA:

(1) Regarding the former CPA

| | | | |
|---|---|----------------|------------------------------------|
| Replacement Date | 2022.06.22 | | |
| Replacement reasons and explanations | Due to adjustment of internal administrative organization in PwC Taiwan | | |
| Describe whether the Company terminated or the CPA did not accept the appointment | Parties | CPA | The Company |
| | Status | Not Applicable | |
| | Termination of appointment | | |
| No longer accepted (continued) appointment | | | |
| 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 |
| | | — | Others |
| | No | V | |
| Specify Details: None | | | |
| Other Revealed Matters | None | | |

(2) Regarding the successor CPA

| | |
|---|-------------------------------------|
| Name of accounting firm | PwC Taiwan |
| Name of CPA | Fang-Ting Yeh, and Yung-Zhih Lin |
| Date of appointment | 2022.06.22 |
| 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 |

(3) Response in accordance with matters under items 1 and 2-3, Subparagraph 6, Article 10 of these Regulations by the former CPA: None.

6. Where the Chairman, General Manager, or Manager in charge of Financial or Accounting affairs have worked in the accounting firm affiliated company of the attesting CPA in the last year, the name, title and employment period in the firm or affiliated enterprise of attesting CPA period of affiliated enterprise shall be disclosed: None.

7. Changes in Equity Interest Transfer and Pledge of Stock Rights Amongst Directors, Supervisors, Managers and Shareholders with Shareholding Percentage over 10 Percent in the Most Recent Year and as of the Publication Date of this Annual Report:

1. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: thousand shares

| Title | Name | 2022 | | 2023 as of April | |
|----------------------|--|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Chairman | Kuan-Hua Chen | -242 | 0 | 0 | 0 |
| Director | Jung-Tung Chen | 0 | 0 | 0 | 0 |
| Director | Huikwang Investment Co., Ltd.: Representative Chiu-Ying Tang | 0 | 0 | 0 | 0 |
| Director | Yu-Zheng Kuo | 0 | 0 | 0 | 0 |
| Independent Director | Ming-Zhi Tsai | 0 | 0 | 0 | 0 |
| Independent Director | Ming-Tang Tsai | 0 | 0 | 0 | 0 |
| Independent Director | Bo-Ren Chang | 0 | 0 | 0 | 0 |
| Vice General Manager | Chiu-Ying Tang | 0 | 0 | 0 | 0 |
| Vice General Manager | Anita Chu | -137 | 0 | 0 | 0 |
| Assistant Manager | Jun-Rui Wu | -17 | 0 | 0 | 0 |
| Assistant Manager | Sheng-Ming Shih | -7 | 0 | 0 | 0 |
| Assistant Manager | Jin-Tai Lin | -75 | 0 | 0 | 0 |

2. Stock Ownership Transfer Information: Not applicable as the counterparty of stock ownership transfer is not a related party.

3. Stock Pledge Information: Not applicable as the counterparty of stock ownership transfer is not a related party.

8. Relationship among the Top Ten Shareholders, including Related Parties or Spouse or Relatives within 2nd Degree of Kinship

April 30, 2023

| Name | Shares Held | | Shares Held by Spouses and Children of Minor Age | | Shares Held through Nominees | | NAME AND RELATIONSHIP BETWEEN THE COMPANY'S TOP TEN SHAREHOLDERS, OR SPOUSES OR RELATIVES WITHIN 2ND DEGREE OF KINSHIP | | Remarks |
|--|-------------|-------------------------|--|-------------------------|------------------------------|-------------------------|--|---|---------|
| | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Shares | Shareholding Percentage | Name of Entity (or Individual) | Relationship | |
| Huikwang Investment Co., Ltd. Representative: Jung-Tung Chen | 15,343,113 | 17.83 | 0 | 0 | 0 | 0 | Hui-Tung Investment Dong-Ni Investment Dong-Chiang Investment Huikwang Trading | Responsible Person of the Company is a Relative within 2nd Degree Kinship or a Spouse | |
| Jung-Tung Chen | 7,986,746 | 9.28 | 3,253,507 | 3.78 | 0 | 0 | Chiu-Ying Tang Kuan-Hua Chen Yu-Hung Chen Yen-Hua Chen | Married Couple Father & Son Father & Son Father & Son | |
| Dong-Chiang Investment Co., Ltd. Representative Yu-Hung Chen | 3,730,210 | 4.33 | 0 | 0 | 0 | 0 | Huikwang Investment Hui-Tung Investment Dong-Ni Investment Huikwang Trading | Responsible Person of the Company is a Relative within 2nd Degree Kinship | |
| Hui-Tung Investment Co., Ltd. Representative Yen-Hua Chen | 3,423,178 | 3.98 | 0 | 0 | 0 | 0 | Huikwang Investment Dong-Ni Investment Dong-Chiang Investment Huikwang Trading | Responsible Person of the Company is a Relative within 2nd Degree Kinship | |
| Chiu-Ying Tang | 3,253,507 | 3.78 | 7,986,746 | 9.28 | 0 | 0 | Jung-Tung Chen Kuan-Hua Chen Yu-Hung Chen Yen-Hua Chen | Married Couple Mother & Son Mother & Son Mother & Son | |
| Dong-Ni Investment Co., Ltd. Representative Jia-Hung Chen | 3,100,479 | 3.60 | 0 | 0 | 0 | 0 | Huikwang Investment Dong-Chiang Investment Hui-Tung Investment Huikwang Trading | Responsible Person of the Company is a Relative within 2nd Degree Kinship | |
| Kuan-Hua Chen | 2,701,000 | 3.14 | 0 | 0 | 0 | 0 | Jung-Tung Chen Chiu-Ying Tang Yu-Hung Chen Yen-Hua Chen | Father & Son Mother & Son Brothers Brothers | |
| Yu-Hung Chen | 1,863,264 | 2.17 | 0 | 0 | 0 | 0 | Jung-Tung Chen Chiu-Ying Tang Kuan-Hua Chen Yen-Hua Chen | Father & Son Mother & Son Brothers Brothers | |
| Huikwang Trading Co., Ltd. Representative Kuan-Hua Chen | 1,856,753 | 2.16 | 0 | 0 | 0 | 0 | Huikwang Investment Dong-Ni Investment Dong-Chiang Investment Hui-Tung Investment | Responsible Person of the Company is a Relative within 2nd Degree Kinship | |
| Yen-Hua Chen | 1,814,243 | 2.11 | 0 | 0 | 0 | 0 | Jung-Tung Chen Chiu-Ying Tang Kuan-Hua Chen Yu-Hung Chen | Father & Son Mother & Son Brothers Brothers | |

9. Shares of the Same Re-invested Businesses held by the Company and Directors, Managers and Businesses under Direct or Indirect Control of the Company, with Combined Calculation of the Comprehensive Shareholding Percentages:

Unit: Shares; %

| Re-invested Businesses (Note) | Ownership by the Company | | Direct or Indirect Ownership by Directors, Managers | | Comprehensive Investments | |
|-----------------------------------|--------------------------|------|---|---|---------------------------|------|
| | Shares | % | Shares | % | Shares | % |
| HUI KWANG INTERNATIONAL CO., LTD. | 6,619,140 | 100% | — | — | 6,619,140 | 100% |
| HUI KWANG (THAILAND) CO., LTD. | 50,000 | 100% | — | — | 50,000 | 100% |
| HKC AGROSCIENCE SDN. BHD | 20,000 | 100% | — | — | 20,000 | 100% |
| Tellus, Inc. | 6,650 | 100% | — | — | 6,650 | 100% |

Note: refers to investments by the Company using equity method.

IV. Capital Overview

1. Capital and Shares

(1) Source of Capital

April 30, 2023 Unit: NT\$, Shares

| Year & Month | Par Value (NT\$) | Authorized Capital | | Paid-in Capital | | Remarks | | |
|--------------|------------------|--------------------|---------------|-----------------|-------------|---|---|--------|
| | | Shares | Amount | Shares | Amount | Source of Capital | Capital Increased by Assets Other than Cash | Others |
| 2017.09 | 10 | 100,000,000 | 1,000,000,000 | 83,247,249 | 832,472,490 | Capital Increase out of Earnings 18,539,420 | | Note 1 |
| 2018.09 | 10 | 100,000,000 | 1,000,000,000 | 84,379,393 | 843,793,930 | Capital Increase out of Earnings 11,321,440 | | Note 2 |
| 2019.10 | 10 | 100,000,000 | 1,000,000,000 | 84,782,168 | 847,821,680 | Capital Increase out of Employees' Compensation 4,027,750 | | Note 3 |
| 2020.10 | 10 | 100,000,000 | 1,000,000,000 | 85,297,029 | 852,970,290 | Capital Increase out of Employees' Compensation 5,148,610 | | Note 4 |
| 2021.07 | 10 | 100,000,000 | 1,000,000,000 | 85,670,167 | 856,701,670 | Capital Increase out of Employees' Compensation 3,731,380 | | Note 5 |
| 2022.08 | 10 | 100,000,000 | 1,000,000,000 | 86,061,156 | 860,611,560 | Capital Increase out of Employees' Compensation 3,909,890 | | Note 6 |

Note 1: Capital Increase out of Earnings was approved for recordation by the Financial Supervisory Commission on 2017.7.21; the submission was approved per 2017.9.18 Order Securities-Issuance-Zi-No. 10601132530 by the Ministry of Economic Affairs.

Note 2: Capital Increase out of Earnings was approved for recordation by the Financial Supervisory Commission on 2018.7.18; the submission was approved per 2018.9.5 Order Securities-Issuance-Zi-No. 10701115680 by the Ministry of Economic Affairs.

Note 3: Capital Increase out of Employees' Compensation was approved for recordation by the Financial Supervisory Commission on 2019.7.18; the submission was approved per 2019.9.26 Order Securities-Issuance-Zi-No. 108011341400 by the Ministry of Economic Affairs.

Note 4: Capital Increase out of Employees' Compensation was approved for recordation by the Financial Supervisory Commission on 2020.5.19; the submission was approved per 2020.10.05 Order Securities-Issuance-Zi-No. 10901178490 by the Ministry of Economic Affairs.

Note 5: Capital Increase out of Employees' Compensation was approved for recordation by the Financial Supervisory Commission on 2021.6.1; the submission was approved per 2021.7.5 Order Securities-Issuance-Zi-No. 11001104160 by the Ministry of Economic Affairs.

Affairs.

Note 6: Capital Increase out of Employees' Compensation was approved for recordation by the Financial Supervisory Commission on 2022.8.11; submission was approved per 2022.8.11 Order Securities-Issuance-Zi-No. 11101130960 by the Ministry of Economic Affairs.

Unit: Shares

| Share Type | Authorized Capital | | | Remarks |
|----------------------------|--------------------|------------------|--------------|---------|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Registered Ordinary Shares | 86,061,156 | 13,938,844 | 100,000,000 | — |

(2) Shareholder Composition

April 30, 2023

| Shareholder Composition Quantity | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Total |
|-------------------------------------|---------------------|------------------------|-------------------------|--------------------------|--|------------|
| Number of Shareholders | — | 2 | 27 | 13,412 | 44 | 13,485 |
| Shareholding (shares) | — | 145,000 | 28,015,642 | 56,685,038 | 1,215,476 | 86,061,156 |
| Shareholding Percentage | — | 0.17% | 32.55% | 65.87% | 1.41% | 100.00% |

(3) Shareholding Distribution Status:

Par Value NT\$ 10

April 30, 2023

| Class of Shareholding | Number of Shareholders | Shares Held | Shareholding Percentage (%) |
|---------------------------|------------------------|-------------|-----------------------------|
| 1 to 999 | 3,956 | 514,486 | 0.60 |
| 1,000 to 5,000 | 8,095 | 15,189,568 | 17.65 |
| 5,001 to 10,000 | 857 | 6,651,510 | 7.73 |
| 10,001 to 15,000 | 208 | 2,588,526 | 3.01 |
| 15,001 to 20,000 | 131 | 2,422,983 | 2.82 |
| 20,001 to 30,000 | 96 | 2,413,585 | 2.80 |
| 30,001 to 40,000 | 44 | 1,547,601 | 1.80 |
| 40,001 to 50,000 | 17 | 795,097 | 0.92 |
| 50,001 to 100,000 | 51 | 3,492,771 | 4.06 |
| 100,001 to 200,000 | 13 | 1,777,536 | 2.07 |
| 200,001 to 400,000 | 5 | 1,521,000 | 1.77 |
| 400,001 to 600,000 | 1 | 574,000 | 0.66 |
| 600,001 to 800,000 | — | — | — |
| 800,001 to 1,000,000 | — | — | — |
| 1,000,001 and more shares | 11 | 46,572,493 | 54.11 |
| Total | 13,485 | 86,061,156 | 100.00 |

(4) List of Main Shareholders: Name, Shares held and Shareholding Percentage for Shareholders with over 5% of all shares or Top 10 shareholders of the Company
April 30, 2023

| Name of Main Shareholders\Shares | Shares Held | Shareholding Percentage |
|----------------------------------|-------------|-------------------------|
| Huikwang Investment Co., Ltd. | 15,343,113 | 17.83 |
| Jung-Tung Chen | 7,986,746 | 9.28 |
| Dong-Chiang Investment Co., Ltd. | 3,730,210 | 4.33 |
| Hui-Tung Investment Co., Ltd. | 3,423,178 | 3.98 |
| Chiu-Ying Tang | 3,253,507 | 3.78 |
| Dong-Ni Investment Co., Ltd. | 3,100,479 | 3.60 |
| Kuan-Hua Chen | 2,701,000 | 3.14 |
| Huikwang Trading Co., Ltd. | 1,856,753 | 2.16 |
| Yen-Hua Chen | 1,814,243 | 2.11 |

(5) Market Price, Net Worth, Earnings, and Dividends per Share in the Recent Two Years

Unit: NT\$/thousand shares

| Items \ Year | | 2021 | 2022 | Financial Information in the Current Year as of March 31, 2023 (Note 8) | |
|---------------------------------|-------------------------------------|----------------------------------|--------|---|--------|
| Market Price per Share (Note 1) | Highest Market Price | 40.30 | 68.50 | 40.95 | |
| | Lowest Market Price | 28.90 | 31.45 | 35.70 | |
| | Average Market Price | 31.07 | 41.03 | 37.82 | |
| Net Worth per Share (Note 2) | Before Distribution | 28.63 | 29.61 | 27.59 | |
| | After Distribution | 25.63 | 26.91 | 27.59 | |
| Earnings per Share | Weighted Average Shares | Before Retroactive Adjustment | 85,670 | 86,061 | 86,061 |
| | | After Retroactive Adjustment | 86,198 | 86,625 | 86,565 |
| | Earnings per Share (Note 3) | Before Retroactive Adjustment | 3.85 | 3.66 | 0.43 |
| | | After Retroactive Adjustment | 3.82 | 3.63 | 0.42 |
| Dividends per Share | Cash Dividend | | 3 | 2.7 | — |
| | Stock Dividends Distribution | Dividends from Retained Earnings | — | — | |
| | | Dividends from Capital Surplus | — | — | |
| | Accumulated Undistributed Dividends | | — | — | — |
| Return on Investment Analysis | Price / Earnings Ratio (Note 5) | | 8.07 | 11.21 | — |
| | Price / Dividend Ratio (Note 6) | | 10.36 | 15.20 | — |
| | Cash Dividend Yield Rate (Note 7) | | 9.66% | 6.58% | — |

* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year-end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price / Earnings Ratio=Average Closing Price per Share for the Year/Earnings per Share.

Note 6: Price / Dividend Ratio=Average Closing Price per Share for the Year/Cash Dividend per Share.

Note 7: Cash Dividend Yield Rate=Cash Dividend per Share/Average Closing Price per Share for the Year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

(6) Dividend Policy of the Company and its Implementation

1. Dividend Policy:

After closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations; if there are still earnings after the aforesaid distribution, a proposal for distribution may be proposed by the Board of Directors and submit to the shareholders' meeting for resolution and distribution. Where the Company distributes dividends and bonuses in whole or in part in cash, such distribution may be made after a resolution has been 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 thereto a report of such distribution shall be submitted to the shareholders' meeting. The provisions concerning submission to the shareholders' meeting for resolution and distribution in the preceding paragraph shall not apply.

The Company's dividend distribution policy is subject to factors such as current and future development plans, investment circumstances, requirement of funds and domestic and oversea competitions, taking into account shareholders' interests, dividend balancing and the Company's long-term financial planning, etc., with proposal of which drafted annually by the Board of Directors in accordance with laws and regulations and then submitted to the shareholders' meeting for approval. The distribution ratio of shareholder dividends should not be lower than 10% of the cumulative distributable earnings, and the distribution of cash dividends should not be lower than 10% of the total shareholder dividends. However, the Board of Directors may adjust the said ratio according to the overall operating conditions at that time and submit such adjustment to the shareholders' meeting for resolution.

2. Status of Proposed Dividend Distribution for the Current Year

The Company's proposal for 2022 earnings distribution has been adopted through resolution by the Board of Directors on March 27, 2023 and has proposed to report to the regular shareholders' meeting of the Company on June 28, 2023. The status of proposed dividend distribution is as follows:

Table of Earnings Distribution

| 2022 | | Unit: NT\$ |
|--|--|---------------|
| Items | | Amount |
| Net Income for the Year | | \$314,461,677 |
| Add: Other Comprehensive Profit or Loss (Net Profit)- Remeasurement of Defined Benefit Plan | | 1,092,440 |
| Less: 10% Legal Reserve | | 31,555,412 |
| Distributable from the Current Period | | \$283,998,705 |
| Add: Undistributed Earnings from the Previous Period | | 685,061,713 |
| Total Earnings Distributable | | \$969,060,418 |
| Status of proposed 2022 earnings distribution | | |
| Distribution of Shareholders' Dividend (In Cash NT\$ 2.7/Share) (Adopted by the Board of Directors through special resolution, to be reported to the shareholders' meeting) | | \$232,365,121 |
| Ending Undistributed Earnings | | \$736,695,297 |

Note: The actual amount of distribution for each share held is based on number of shares held as recorded on shareholders roster by distribution reference date.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

The Company did not propose any stock dividend distribution to the 2022 Shareholders' Meeting.

(8) Compensations of Employees and Directors:

1. Percentage or Scope of Compensations of Employees and Directors under the Company's Articles of Incorporation:

If there is profit at the end of each fiscal year, a ratio no less than one percent (1%) of the profit as employees' remuneration and a ratio no more than five percent (5%) of the profit as directors' remuneration shall be distributed first. However, the Company's accumulated losses shall have been covered first. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, determine the distribution ratios for the employees and directors' compensations and have the profit distributable as employees' compensation in the form of shares or in cash, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The "profit at the end of each fiscal year" as referred to in Paragraph 1 refers to the profit composed of pre-tax profits prior to deductions of distributable amounts for Employees and Directors' Compensations. Parties entitled to receive Employees' Compensations may include the employees of subsidiaries of the Company meeting certain specific requirements adopted by the Board of Directors and other individuals under their authorization.

2. Estimation basis for employees and directors 'compensations in the current period; calculation basis for shares distributed as employees' compensation, and Accounting handling for deviations of actual distribution amount from estimates.
 - (1) Estimation basis for employees and directors 'compensations in the current period: In accordance with Article 26 of the Company's Articles of Incorporation, "If there is profit at the end of each fiscal year, a ratio no less than one percent (1%) of the profit as employees' remuneration and a ratio no more than five percent (5%) of the profit as directors' remuneration shall be distributed first." After reporting to the 9th meeting of the 4th Remuneration Committee, an allocation with 1.5% of the profit as Directors' Compensation and 4.5% of the profit as Employees' Compensations has been proposed. The abovementioned Directors' Compensation is distributed in form of cash; whilst distribution of partial Employees' Compensations in shares is proposed.
 - (2) Calculation basis for shares distributed as employees' compensation: The calculation is based on the closing price per share on the date prior to the Board of Directors meeting. Where the employees' compensations below 1 share will be distributed in form of cash.
 - (3) Accounting handling for deviations of actual distribution amount from estimates: Recognized as the adjustment of expenses for the year the actual distribution is made.
3. Situation of Distribution of Employee and Directors' Remuneration approved by the Board of Directors:
 - (1) The proposed distribution of Employee and Directors' Remuneration for 2022, as approved by the Board of Directors on March 27, 2023, is as follows: Employee Stock Compensation of NT\$ 18,893,366 to be distributed in the form of stock options, and Directors' Remuneration of NT\$ 6,297,789 to be distributed in cash. The amount recorded as expenses for 2022 remains unchanged.
 - (2) The Employee Stock Compensation of NT\$ 18,893,366 to be distributed in the form of stock options is calculated based on the closing price of The Company on the day before the issuance of new shares as per the Board of Directors' resolution (March 24, 2023), which was NT\$ 39.55. A total of 477,708 new shares will be issued, and any fractional share will be rounded down and compensated in cash at a rate of NT\$ 15. This represents 6.01% of the net profit after tax in the current individual financial report and 100% of the total Employee Stock Compensation.

- (3) EPS calculated after the distribution of Employee and Directors' Remuneration in the form of stock options:
The estimation of Employee and Directors' Remuneration has been included in the Company's financial statements for the year 2022, hence the calculated EPS is the same as the reported figure in the financial statements.
4. The actual distribution of the compensation of employees, directors and supervisors in the previous year (including the distribution of shares, amount and stock price); if there is any difference from the recognized compensations employees, directors and supervisors, the difference, reason and handling situation shall be specified:
 - (1) The actual distribution of Employee and Directors' Remuneration for 2021 is as follows:
 - Employee Stock Compensation: NT\$ 17,320,847.
 - The Employee Stock Compensation was distributed in the form of stock options based on the closing price of NT\$ 44.30 on March 29, 2022, as per resolution by the Board of Directors. A total of 390,989 new shares were issued, and any fractional share was rounded down and compensated in cash at a rate of 34 NTD.
 - Directors' Remuneration: NT\$ 6,495,318, distributed in cash.
 - (2) The actual amount distributed as Employee and Directors' Remuneration for 2021 by the Company was a total of NT\$ 23,816,165, which is consistent with the recognized expense amount for 2021.

(9) Implementation Status of Buyback of Company Shares by the Company: None.

2. Implementation Status of Corporate Bonds: None.

3. Implementation Status of Preferred Shares: None.

4. Implementation Status of Global Depository Receipt (GDR): None.

5. Implementation Status of Employee Stock Warrant: None.

6. Implementation Status of Restricted Stock Awards: None.

7. Implementation Status of New Shares in Connection with Merger or Receiving Transfer of Shares of Another Company: None.

8. Implementation Status of Funds Utilization Plans

- (1) Plan Content(s): There is no incomplete issuance of securities or private placement of securities or any completed plan without effects within the recent three years as of the quarter prior to the Publication Date of this Annual Report.
- (2) Implementation: None.

V. Operation Highlight

1. Business Activities

(1) Scope of Business

1. Main Contents of the Group's Businesses:

R&D, Production and Sales of Plant Protection Agent, Fertilizers, Environmental Sanitation Formula, Fine Chemicals, Biologic, Geosynthetics, and Environmental Protection Products.

2. Proportions in Operations by the Company's 2022 Main Products:

Unit: NT\$ thousands

| Business Type | Sales Amount | Percentage |
|---|--------------|------------|
| AgroScience Business Group | 1,572,692 | 63.13% |
| Environmental Technology Business Group | 918,526 | 36.87% |
| Total | 2,491,218 | 100.00% |

3. Current Items of the Group:

Plant Protection Agent, Plant Growth Enhancer, Biologic, Environmental Sanitation Drugs, Fine Chemicals, Geomembrane, Composite Soil Protection Film, Geocell, and Geotextiles.

4. New Products under Development Plan:

- A. Plant Protection Agent: Environmentally-friendly and organic fertilizers, and natural plant growth regulators.
- B. Geosynthetics: High-temperature resistant, UV-resistant geomembrane, high-performance geocell, multi-layered high-functionality geomembrane (materials).
- C. Fine Chemicals: Thioanisole derivatives, and intermediate for technical grade agro-pesticides.

(2) Overview of the Group's Industries

1. Current Situation and Development of the Industries

A. Plant Protection Agent

The main use of plant protection agents is to prevent and control pests, diseases, and weeds in agricultural and forestry crops, as well as regulate growth. They are essential materials for crop growth; chemical agro-pesticides are considered the most effective, reliable, and cost-efficient method in integrated pest management in agriculture and fall within the scope of precision chemicals. Products in the agro-pesticide industry include agro-pesticide raw materials, technical-grade agro-pesticides, and formulated agro-pesticides. Based on such, agro-pesticide plants can be divided into technical-grade agro-pesticide synthesis plants and formulated agro-pesticide processing plants. Technical-grade agro-pesticide synthesis plants mainly import chemical intermediates from abroad and produce technical-grade agro-pesticides using different processes, primarily supplying foreign markets with a small portion for domestic plants; meanwhile, formulated agro-pesticide processing plants involve processing activities and can be categorized into two types: processing and formulating technical-grade agro-pesticides purchased domestically or imported, and packaging bulk imported finished agro-pesticides. Currently, registered agro-pesticides approved by the government can be classified into insecticides, fungicides, herbicides, and plant growth enhancers based on their target of control.

As most domestic plant protection plants are small and medium-sized enterprises without the financial capacity to develop new agro-pesticides, coupled with fierce

competition and the impact of joining the WTO, the opening of agricultural product imports has had an impact on agricultural production. The chemical agro-pesticide industry is facing various challenges in the future. However, advances in science and technology and the demand for agricultural production also provide opportunities for the development of chemical agro-pesticides. Chemical agro-pesticides will continue to play a significant role and contribute to sustainable agricultural development. As the difficulty of research and development increases, the success rate decreases, and the cost of research and development rises. Currently, it takes nearly billions of dollars and 8 to 10 years to develop an agro-pesticide from formulation to practical use. Therefore, some small and medium-sized agro-pesticide companies often find it challenging to bear such expensive research and development costs and engage in research on me-too agro-pesticides, which are products developed after the patent period. Even the top ten global companies are involved in me-too agro-pesticide business rather than developing patented drugs.

In response to the decreasing domestic demand, active efforts are being made to develop new products, promote the development of precision agriculture, and educate farmers about agro-pesticide knowledge to secure the existing market. In Mainland China, efforts are being made to strengthen the depth and breadth of marketing channels, enhance the competitiveness of the Hui Guang brand, and increase market share. In foreign markets, in addition to seeking opportunities in emerging agricultural markets such as Thailand, Indonesia, Malaysia, Vietnam in Southeast Asia, and growing markets in Central and South America, plans are being made to cooperate with companies from Japan, South Korea, and the European Union to enter higher-entry-barrier but higher-priced markets to avoid price competition. With the current multiple sales channel system, the goal is to expand market coverage and seize sales opportunities. The future development of the agro-pesticide industry should align with global trends and focus on developing low-toxicity and safe agro-pesticides, strengthening pollution prevention and control, and gradually moving towards the direction of bio agro-pesticides to create prospects for the agro-pesticide industry. Mainland China's management of the agro-pesticide and fertilizer industry is becoming more stringent, which is more favorable for the overall prospects of the Company. In the long run, many small factories with non-standard and outdated equipment will be phased out, and local protectionism in Mainland China will gradually disappear. The agro-pesticide industry in Mainland China will face a new situation, and the Company has already gone through several transformative periods in the past 50 years, making it good news for the Company.

B. Geosynthetics

Geosynthetic impermeable membranes are high-tech, high-precision polymer materials widely used in engineering projects such as sanitary landfills, earthworks, mining, tunnels, roadbeds, foundations, aquaculture, and wastewater treatment. They possess characteristics such as impermeability, material stability, safety, non-toxicity, and ease of construction, effectively replacing other traditional waterproof materials. Especially with the increasing awareness of environmental protection and rapid technological advancements today, the construction quality and technical level of environmental protection geotechnical engineering have also improved. Currently, the geosynthetic impermeable membrane industry is considered a pollution prevention and control industry, both domestically and

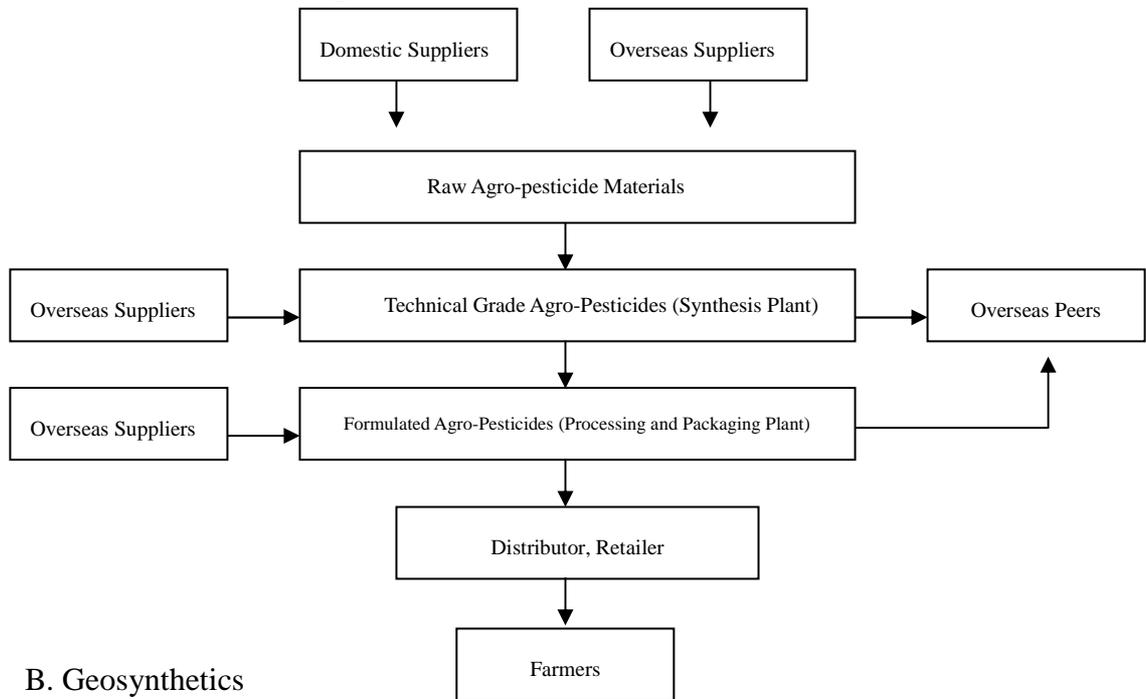
internationally. Therefore, besides creating vast business opportunities for enterprises, it also contributes positively to the ecological environment.

The application of geosynthetics is originated in Europe and America, and as a mature market, the growth rate is low. Other regions are in the growth stage as the application development started later, and they have more growth potential. Among these regions, Asia, the Pan-Pacific region, Eastern Europe, the Middle East, and South America have relatively more potential. The applications have evolved from early-stage waste treatment to current use in water storage facilities, agricultural and fishery development, etc., and the usage in these emerging markets is approaching that of Europe and America.

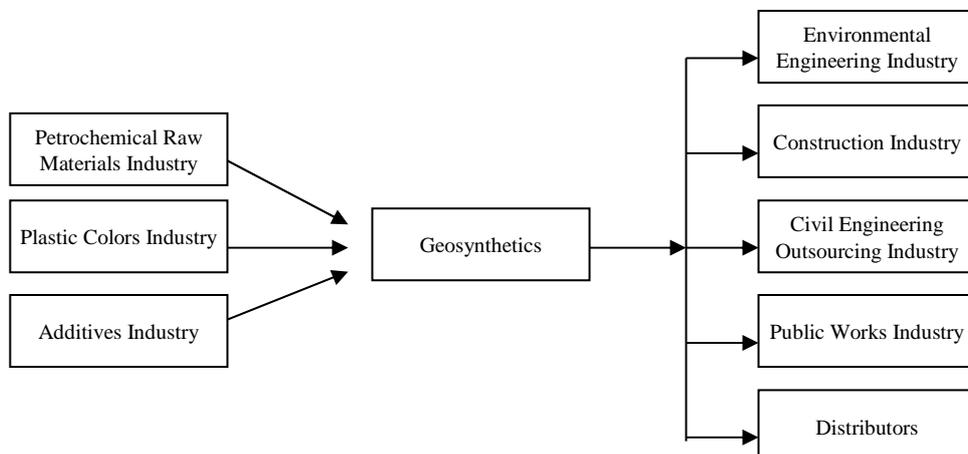
Under the tariff protection systems of various countries, it is not easy to quickly seize overseas markets. If our country can complete the signing of regional FTAs (Free Trade Agreements), reduce tariffs, and eliminate non-tariff trade barriers, it is foreseeable that geosynthetic products will have greater competitiveness in overseas markets.

2. Interrelationship between Upstream, Midstream, and Downstream in the Industry

A. Plant Protection Agent



B. Geosynthetics



3. Product Development Trend

A. Plant Protection Agent

- (A) The development of Technical Grade Agro-pesticide is moving towards high recovery rates, low waste discharge, and low pollution in production. The Company selects suitable special items for domestic production and adopts a differentiation approach to ensure both price stability and reasonable profit.
- (B) For formulated agro-pesticides, efforts are being made towards mixtures and water-based environmentally-friendly products (including Flowable Concentrates, Capsule Suspensions, etc.). The research aims to control release, powder granulation, reduce organic solvent content in emulsions, etc. The goal is to develop products with good performance, low dosage, low toxicity, high selectivity, and low environmental impact by using proprietary production materials and combining them with patented novel effective ingredients from foreign manufacturers.
- (C) In terms of production, efforts are being made towards automation and management, with continuous cost savings and improved operational efficiency.
- (D) For preparations, research is being conducted on controlled-release, powder granulation, and reduction of organic solvent content in emulsions.
- (E) Efforts are being made to enhance the development of mixed preparations using a small amount of added fertilizers and self-developed natural fermented plant growth regulators to meet future trends in the Greater China market.

B. Geosynthetics

- (A) Product diversification: To maximize existing equipment capacity and provide customers with systematic solutions, increasing product diversity is necessary. This includes ultra-flexible impermeable membranes, flame-resistant geocells, vertical/plane vegetation-specific grid plates, leak-proof/corrosion-proof precast composite soil pipes, drainage boards, water collection bags, agricultural water storage tanks, independent breeding ponds, etc. The Company continues to research, innovate, and cooperate with other companies in material applications to meet user needs.
- (B) Precise quality: Geosynthetics testing methods commonly used include ASTM from the United States, which specifies various performance testing methods for geosynthetic materials in detail. Other commonly used standards include DIN from Germany, BS from the United Kingdom, CNS from Taiwan, JIS from Japan, and GB from Mainland China. In terms of quality standards, the American GRI has established a set of international quality control and specification standards for geosynthetic materials, with GM13/GM17 being the most widely accepted standards internationally. Huikwang Geosynthetics' quality control procedures and finished product quality fully comply with GRI's relevant standards. Although it incurs higher production costs, its stable product properties are trusted by benchmark customers in Europe and America.

C. Fine Chemicals

- (A) Thioanisole derivatives: Based on the existing Thioanisole synthesis technology, related derivatives are being developed, including pharmaceutical intermediates, agro-pesticide intermediates, and electronic chemicals.
- (B) Foundry manufacturing: Establishing synthesis technology and developing mass production processes in accordance with customer needs.

4. Competitors

A. Plant Protection Agent

As global food demand grows rapidly and countries around the world increasingly

emphasize food safety and environmental issues, agro-pesticide regulations have become stricter. The world is trending towards green agriculture. To adapt to these changes, manufacturers of plant protection agents are oriented towards R&D of efficient, safe, and environmentally friendly agro-pesticide products. The increased cost of R&D has led to the gradual downsizing, renaming, or consolidation of some companies in the agro-pesticide industry, among which DuPont Taiwan was affected as its US Headquarters decided to part ways with its agro-pesticide chemical department for sale. Currently, among Taiwan's plant protection industry, Sinon is the main competitor of the Company. While Sinon's revenue scale in the plant protection agent field surpasses the Company's, the Company ranks first in comprehensive indicators among its peers, indicating that the Company has considerable competitiveness in the industry. In addition, the Company continues to develop low-toxicity and high-performance agro-pesticide products and actively obtain agro-pesticide registrations overseas, which will enhance its competitiveness in the industry.

B. Geosynthetics

According to the membership directory of the IGS (including various geosynthetic products), there are currently over a hundred Geosynthetics manufacturers worldwide, mainly distributed in Europe and America. Huikwang primarily produces polyethylene geomembranes. With about 10+ globally competitive manufacturers in terms of scale, and in the Asia region, Huikwang's total production capacity is second only to Solmax (a Canadian company that acquired GSE in late 2017). Currently, Huikwang is the only domestic manufacturer of polyethylene geomembranes. Comparing products of the equal specifications, Huikwang's products hold a high market share in China, Australia, Southeast Asia, Japan, and other neighboring countries.

In response to market demand, in recent years, there has been rapid growth in geomembrane production lines established in Mainland China, the Middle East, and even the Asia-Pacific region. While these manufacturers cannot compete with international major players in terms of production equipment technology and stability, they impact the equilibrium in the overall region through low-cost structures and non-international standard specifications.

(3) Technology and R&D Overview

1. R&D Expense in the Most Recent Year and as of the Publication Date of this Annual Report:

Unit: NT\$ thousands

| Year | 2022 | 2023.01.01-2023.3.31 |
|--------|--------|----------------------|
| Amount | 35,743 | 9,288 |

2. Technology of Product Successfully Developed in 2022

| | |
|------------------------|--|
| Plant Protection Agent | Development of New Insecticides (1) Indoxacarb 14.5% Flowable Concentrates |
| | Development of New Herbicides (1) Pendimethalin 38.7% Capsule Suspensions |
| | Development of Technical-Grade Agent Synthesis Technology (1) Technical-Grade Agent of the Fungicide Tricyclazole (2) Technical-Grade Agent of the Fungicide Difenconazole |
| | Development of Fine Chemicals Synthesis Technology (1) Thioanisole |
| | Geosynthetics (1) High-Performance Geocell |

(4) Long- and Short-term Business Development Plans Plant Protection Agent

(1) Short-term Development Plan

1. We utilize the introduction of competitive foreign technical-grade agents to actively develop me-too agro-pesticide formulations and mixed preparations, creating product uniqueness through synergistic effects and expanding the Huikwang brand's visibility in the domestic and international pesticide markets. Also, we obtain authorization for foreign technical-grade agents and register them in Taiwan to reduce processing costs through price advantages and expand the supply of technical-grade agents to other industry players.
2. In the Mainland China market, we leverage the expertise of the Company's technical personnel and collaborate with local sales staff to form a technical team. Targeting towns and villages, we deeply cultivate crop-specific regions, provide explanations, and uncover selling points to continuously enhance the company's and products' influence. Meanwhile, we ensure stable market growth through customized services, product achievement rewards, and increased promotion of the company's unique products.
3. We strengthen deep cultivation and development in the domestic business, assist in improving the professional capabilities of "HUIKWANG Farmers' Service Station," and enhance the exclusivity of selling the Company's products to ensure stable growth in the domestic market. Furthermore, we collaborate with international major players to develop new products and conduct product and technology research and development.
4. Development of sales for non-agro-pesticide products. Currently, the registration of granular and liquid fertilizers has been initiated, with ongoing efforts to provide farmers with comprehensive crop cultivation product services through HUIKWANG Farmers' Service Station.

(2) Long-term Development Plan

1. We cultivate professional sales talents and enhance international marketing capabilities, with foreign markets as the development goal in the next stage of Company business.
2. We adjust product development strategies to focus on developing products with high gross margin, high value, high efficiency, and low pollution.
3. We strengthen cooperation with international major players and actively introduce new products domestically to differentiate from competitors in the market. Also, we plan to expand cooperation scope to production supply chains and seek collaboration partners to develop new business opportunities in the agricultural-related fields.

Geosynthetics

(1) Short-term Development Plan

1. Continued collaboration with master batch manufacturers to improve product formulations with the goal of enhancing product properties.
2. Planned regular maintenance of production lines to maintain product yield and production efficiency, ensuring product stability.
3. Monitoring the price trend of polyethylene raw materials and seeking additional sources of polyethylene supply to reduce material procurement costs and improve product gross margins.
4. Continuous development of new forms of product applications and research on processing products using materials other than polyethylene, such as PP, TPO, to meet various market demands

5. Learning from advanced experiences in public works and introducing new technologies for Asian applications.
- (2) Long-term Development Plan
1. Expansion and deep cultivation in emerging markets such as Mainland China, Southeast Asia, Africa, Eastern Europe, to increase market share and aim to become the leading brand in Asia.
 2. Active development of various geosynthetic products and strengthened patent applications and protection of intellectual property rights to highlight advantage specification products and build product differentiation.
 3. Promoting product application in water resources through NSF61 certification and leveraging its non-toxic and weather-resistant characteristics to enhance the development of applications such as water reservoirs, agriculture, fishery, and salt cultivation.
 4. Expanding the design and construction teams for civil engineering, providing turnkey services to clients by integrating and utilizing upstream and downstream resources.
 5. Exploring new businesses complementary to geosynthetics, such as environmental materials and green energy, which are currently under evaluation.

2. Market and Sales Overview

(1) Market Analysis

1. Main Regional Markets for Sales of Company Products

The distribution of the group's plant protection products is mainly in Taiwan and agriculturally developed regions in Mainland China, with Southeast Asia and South America being the main export destinations; as for geosynthetics, the main markets are Mainland China, Vietnam, Indonesia, South Africa, with partial sales to Europe and America. The distribution of the Company's main product sales in terms of regions, amounts, and proportions for the past two years is shown as follows:

Unit: NT\$ thousands

| Year Division | 2022 | | 2021 | |
|------------------|--------------|-------|--------------|--------|
| | Sales Volume | % | Sales Volume | % |
| Taiwan | 646,825 | 25.96 | 668,233 | 31.99 |
| Mainland China | 563,458 | 22.62 | 722,791 | 34.60 |
| Brazil | 613,347 | 24.62 | 248,878 | 11.91 |
| Japan | 42,629 | 1.71 | 71,849 | 3.44 |
| Australia | 86,317 | 3.47 | 64,154 | 3.07 |
| Vietnam | 41,525 | 1.67 | 63,409 | 3.04 |
| Indonesia | 35,440 | 1.42 | 53,072 | 2.54 |
| Thailand | 50,905 | 2.04 | 50,721 | 2.43 |
| Hong Kong | 288,620 | 11.59 | 43,967 | 2.10 |
| Other Countries | 122,152 | 4.90 | 101,891 | 4.88 |
| Total | 2,491,218 | | 2,088,965 | 100.00 |

2. Market Share

A. Plant Protection Agent

The Company's products have good quality, resulting in stable revenue growth, allowing the Company to rank among the top performers in Taiwan, whilst the Company's subsidiary Shanghai HKC Ltd. was ranked 56nd among China's agro-pesticide preparations manufacturers in 2022.

B. Geosynthetics

According to the membership directory of the IGS (including various geosynthetic products), there are currently over a hundred Geosynthetics manufacturers worldwide, mainly distributed in Europe and America. Currently, Huikwang is the only domestic manufacturer of geomembranes.

3. Future Market Supply/Demand and Growth

A. Plant Protection Agent

The development of new pesticides is often time-consuming and labor-intensive, requiring significant scale and technical capabilities. In recent years, the international market has witnessed multiple mergers among major companies in Europe and America. Only a few international-level giants in countries like Europe, America, and Japan have the ability to develop new pesticides. Many medium-sized pesticide companies, in order to avoid unfavorable competition with large companies, have turned to the development of me-too agro-pesticide products after the patent expiration period. According to statistics, global sales of off-patent pesticides account for approximately 77% of the market. With the continuous increase in global pesticide trade, it is expected that the me-too agro-pesticide market will also expand.

According to estimates by the Food and Agriculture Organization (FAO), without the use of chemical agents, crop production would suffer a reduction of about 35% worldwide due to pest and weed damage during the production process. Therefore, pesticides are indispensable materials for crop protection and ensuring crop yield and quality. In recent years, due to the decrease in arable land, price competition among manufacturers, and Taiwan's accession to the WTO, the agricultural sector has gradually declined, leading to a decrease in pesticide sales. However, in recent years, the global pesticide industry has faced increasing environmental awareness in various countries, particularly notable in Mainland China. This has resulted in continuous price increases for Technical Grade Agro-pesticides and related additives. The oversupply situation in the pesticide market has improved, and the previous slump in inventory clearance through price reduction sales is no longer seen. It is expected that the pesticide market will experience a revival in the future. Looking ahead, the international pesticide market still holds great potential for development. In the domestic market, understanding market dynamics and demands thoroughly and developing high-performance, low-toxicity, and safer agents will enhance the Company's competitiveness and meet customer needs.

B. Geosynthetics

Currently, HUITEX (a HUIKWANG company) is the only supplier of geosynthetic non-permeable membranes in Taiwan. In Asia, there are Solmax branches in Malaysia and Thailand, as well as some manufacturers in Mainland China with different specifications or without certification. In terms of the current market, North America and Europe are still the main markets, accounting for about 40% of the global market. The Asia-Pacific region currently accounts for about 30%, but it has the highest growth rate worldwide. In addition, Central and South America account for about 10%, while the Middle East and Africa account for about 20%. In terms of market growth, North America and Europe are considered more mature markets with smaller growth rates. In emerging markets such as Asia, the Middle East, Africa, Eastern Europe, and South America, there are significant developments in major public projects such as mining and landfill sites. With changes in raw materials, market saturation, and climate variations, the majority of these projects have shifted towards industries related to life and the environment, such as aquaculture, agriculture, and water resources. These markets offer significant development opportunities and growth potential.

4. Competitive Niche, Advantages and Disadvantages for Development Outlook, and Countermeasures:

A. Competitive Niche

a. Premium Product Quality and Brand Image

The Company markets its own brands, including "Huikwang," "HKC," and "HUITEX," both domestically and internationally, upholding the principle of "Quality Creates Reputation, Reputation Guarantees Quality". In 2004 and 2002, the Company obtained ISO 14001 and ISO 9001 international quality certifications, respectively. These certifications have further enhanced product quality and the Company's image, promoting comprehensive quality improvement and ensuring responsible practices, aiming for internationalization and sustainable business.

b. Provision of Professionalized Technical Services

With respect to agro-pesticides and geosynthetics produced and sold by the Company, in addition to emphasizing product quality, the Company prioritizes customer satisfaction and provides customers with after-sales services related to agro-pesticides and geosynthetics, including information on crop protection, pest control, environmental engineering, and material specifications. The Company also offers technical training for product users and distributes the Huikwang magazine to customers. Through these services, customers gain access to valuable professional knowledge and technical support, helping them resolve any inquiries related to product applications. This fosters customer confidence in the Company's products and maintains long-term partnerships.

c. R&D

For sustainable development, the Company must constantly innovate to avoid elimination. In the field of Plant Protection Agents, the Company focuses not only on improving the quality and reducing the cost of existing products but also on continuous research and development of new products. In the area of formulation development, collaborations with foreign manufacturers are sought to achieve optimal formulations and enhance the efficacy of mixed agents. Furthermore, the continuous development of safe formulations is pursued. For example, using flowable concentrates as replacement of emulsions and water-dispersible granules as replacement of water-dispersible powders not only makes pesticide application safer but also maximizes the effectiveness of the formulations; in Geosynthetics, to respond to the maturing HDPE Geomembrane market, the Company not only develops diverse waterproofing membrane materials to expand the application scope but also focuses on enhancing material functionality and diversity. The goal is to improve product performance and added value; conductive, flame-retardant, and high-toughness Geomembranes have been developed and received positive feedback from customers. These products will gradually be introduced and increase market share. Additionally, in response to the growing importance of water resource protection, the Company continues to explore the application of waterproofing membrane materials in water storage and transportation technologies, leveraging their extremely low permeability characteristics. In the current market, simply emphasizing high quality is no longer sufficient. There is a need for product functionality enhancement and performance diversification to meet the evolving demands. The Company is actively expanding into non-traditional application areas. The development of such related products is urgent, particularly when combined with green energy-related products, such as the flame-retardant, conductive, and highly weather-resistant Geomembranes that have been completed. Ongoing research and development of high-temperature-resistant Geomembranes for the energy industry and the introduction of tougher gas barrier Geomembranes for biogas collection to address the weakness of

traditional materials prone to damage are also underway. The introduction and development of biodegradable Geomembranes can further enhance environmental protection. The development of Geocell products can also leverage the advantages of Geomembrane materials and expand into diverse application areas.

d. Professional Management Team and Strong Marketing Channels

The Company's management team possesses extensive industry experience, and their expertise and rich industry knowledge greatly benefit the Company. The low turnover rate of the management team facilitates the sustainable transfer of professional skills and experience within the Company. In addition, the Company has established the "HUIKWANG Farmers' Service Station" as a contracted franchise marketing channel. Currently, there are over 350 sales outlets across Taiwan, making it the strongest and most stable sales channel in the domestic market for Huikwang products.

B. Advantages

Plant Protection Agent

a. Compliance with Industry-related Regulations

Agro-pesticide manufacturers must undergo rigorous scrutiny in terms of market, quality, and regulations, and, after passing the review of the Agro-pesticide Advisory Committee, they can apply for and obtain agro-pesticide licenses. It takes several years to obtain each license, and currently, the Company has obtained over 200 product licenses, which represents a significant intangible asset and indicates that the entry barrier into the industry is high. It is not an area that can be entered within a few years by companies without substantial funding or technical expertise.

b. Continued Development of New Products

In the field of Plant Protection Agents, the Company has been making continuous efforts in innovation. It is estimated that in the next three years, nearly 10 new me-too agro-pesticides will be registered and launched. These new products prioritize safety, long-lasting effects, and minimal environmental impact, aiming to replace highly toxic pesticides used in the past. Additionally, the Company collaborates with foreign manufacturers to develop new formulations and enhance the effectiveness of agro-pesticides, aiming to increase its market share.

c. Supply of Food is an Indispensable Need by Human Beings

The plant protection industry is closely related to agricultural development, as food is an essential product for humanity. It is not significantly affected by economic conditions. Moreover, with a growing population and decreasing arable land, the importance of agricultural technology becomes even more prominent. Plus, with the continuous updating of products and technologies, the industry can adapt to market demands and maintain stable profitability.

Geosynthetics

In recent years, impermeable membranes have been widely used in various engineering applications such as landfill sites, mining operations, wastewater treatment, large reservoirs, water reservoirs, irrigation channels, foundation engineering, aquaculture facilities, and roof waterproofing for buildings. The Company continues to strengthen research and development efforts to explore other performance-based products and expand their applications to areas such as slope protection, industrial wastewater treatment, agricultural and domestic water storage tanks, rainwater harvesting systems, and storage solutions for sewage equipment, including precast concrete pipes. These efforts aim to provide customers with comprehensive services and maintain market share.

a. Proprietary Brand Marketed to the World

Since its establishment, the Company has been marketing its products under the proprietary brand "HUITEX" and has established regional distribution channels worldwide.

b. The Grand Measures for Environmental Protection Contributing to the Green Earth

With the development of civilization, the importance of economic development and environmental sustainability has become increasingly evident. Geosynthetics, which are made of polyethylene with zero environmental pollution, play an indispensable role in environmental engineering. In addition, the United Nations has reached a consensus on the importance of maintaining a green planet, further highlighting the value of Huikwang products.

c. Response to Climate Change

Geomembrane has become the most effective and safe material choice for addressing water resources and the development of agriculture, forestry, and livestock industries. The drastic changes caused by global climate warming not only lead to water scarcity but also trigger food crises. The use of Geomembrane, with its safety, non-toxicity, and weather resistance, directly contributes to the storage of food and the development of farming, aquaculture, and agriculture, resulting in significant positive effects.

C. Disadvantages and Countermeasures

Plant Protection Agent

a. Changes in Domestic Economy and Decreased Area in Arable Lands

To cooperate with the government's intention in joining the WTO, tens of thousands of farmers have been forced to abandon the farming business. With the reduced area of cultivation, the usage of agro-pesticide has reduced accordingly.

Countermeasures:

The Company is actively responding to the difficulty in increasing domestic demand by developing and launching new products, enhancing product quality advantages, and expanding the application of products to high-value agricultural products. In addition to targeting existing markets, efforts are being made to explore emerging markets in developing agricultural countries such as Mainland China, Southeast Asia, Central and South America, the Middle East, and Africa. The goal is to maximize market coverage through the current multi-channel distribution system, seizing every sales opportunity. Increasing international sales should contribute to the stable growth of the company's performance. Moving forward, the Company will continue to prioritize both domestic and international markets, ensuring that a decrease in domestic demand does not hinder its development. With a continuously growing population and diminishing arable land, the quality and quantity of agricultural crop supply heavily rely on plant protection measures.

b. Elevated Environmental Protection Awareness

Agro-pesticides have varying degrees of impact on humans, animals, and the environment. The rise of environmental awareness has led to a reduction in the use of agro-pesticides.

Countermeasures:

The Company is heading towards the development of agro-pesticides with lower dosage, lower toxicity, higher efficiency, and increased safety. It aims to create products that prioritize user safety and minimize environmental pollution. This aligns with the future direction of the agro-pesticide industry.

c. Price Wars

The domestic agro-pesticide industry is predominantly composed of small and medium-sized enterprises. In order to survive in this competitive market, some companies may compromise on product quality by reducing

manufacturing costs. Price-cutting strategies are often employed, resulting in intense competition within the market.

Countermeasures:

Price wars have been a common occurrence in the market for a long time, but currently, they are limited to specific bulk products. The Company will actively engage in the development of safer, less toxic, and more efficient products. Furthermore, maintaining good relationships with downstream customers, such as the long-term operation of "HUIKWANG Farmers' Service Station," will help solidify marketing channels and enhance customer technical services, in line with the business philosophy of "Quality Creates Reputation, Reputation Guarantees Quality." With over 50 years of industry experience, the Company should be able to adapt to market changes and trends, adjust pricing competition strategies in a timely manner, gradually introduce low-cost raw materials from Mainland China, and increase industry competitiveness. Moreover, the Price Wars in the domestic market mainly involve the Company's downstream customers, so the direct impact on The Company's interests is not significant.

d. Source of Raw Materials depending on Imports

Due to the lack of a complete upstream, midstream, and downstream system in the domestic agro-pesticide industry, most of the raw materials rely on imports, making prices and quantities vulnerable to foreign suppliers.

Countermeasures:

The Company is committed to reducing reliance on a single raw material supplier and maintaining long-term stable relationships with suppliers to ensure a stable source of procurement and reduce the risk of concentrated purchases. The Company is also actively importing technical-grade agents from abroad and operating permit registration. In recent years, it has obtained multiple import registration certificates for technical-grade agents, allowing direct importation from foreign manufacturers and reducing costs associated with intermediaries.

e. Food Safety Issues Derived from Formulation Residue

Agro-pesticides are used in agricultural crops, and issues related to agro-pesticide residues have been frequently raised due to factors such as unclear explanations by sellers, excessive use by users, and premature harvesting before the safety harvest period. This has made agro-pesticides a commonly discussed topic in food safety concerns and has placed agro-pesticide manufacturers as victims under populist rhetoric.

Countermeasures:

Huikwang Company started with its own brand and reorganized its sales channels since 2016. Only retailers who align with the company's business philosophy are approved to join the "HUIKWANG Farmers' Service Station." The Company's products are exclusively sold through these authorized service stations. Therefore, the Company may require station managers to promote the recommended pesticides listed in the annual "Crop Pest and Disease Control Handbook" and provide instructions on proper pesticide usage and safe harvesting periods to users. Through continuous promotion and education, the Company aims to improve users' understanding and practices of pesticide application.

Geosynthetics

a. Reliance of Raw Materials on Exports

The quality of Geosynthetics products is highly influenced by the physical and processing properties of the raw materials. Currently, domestic

plasticizers upstream manufacturers have not specifically developed polyethylene for Geosynthetics use, so most companies rely on foreign suppliers for procurement.

Countermeasures:

The Company's reliance on a few overseas manufacturers for raw materials is mainly due to the time-sensitive nature of the supply of these materials, as well as the fact that they offer the best combination of quality and price for the product. Additionally, the Company is committed to developing new suppliers and researching new formulation ingredients to reduce dependence on a single source of raw materials. The Company maintains long-term and close relationships with its suppliers to ensure a stable supply chain and mitigate the risks associated with concentrated procurement.

b. Economic and Trading Conditions

Due to the current international political situation, Taiwan faces challenges in establishing trade preferences or signing free trade agreements (FTAs) with other countries. This situation has impacted Taiwan's export competitiveness.

Countermeasures:

The Company evaluates the establishment of production lines in overseas locations that enjoy free trade advantages can help mitigate the disadvantages of tariffs on exports. In addition, the Company actively develops products with different specifications to differentiate from competitors can help bridge the gap in export competition.

c. Price Wars

Due to the procurement process through bidding in large-scale civil engineering construction projects, the Geomembrane market is often distorted towards a price-oriented approach. Additionally, some Geomembrane manufacturers resort to producing low-quality Geomembrane using recycled materials as a means to engage in price wars.

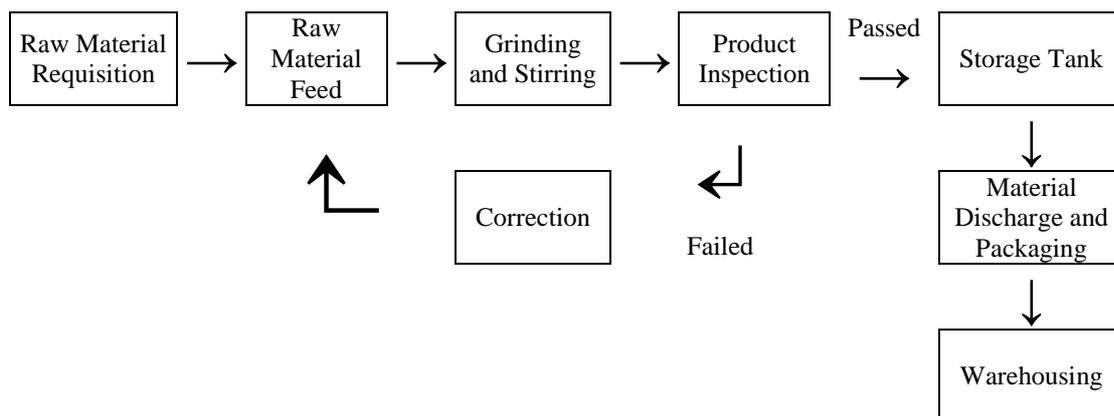
Countermeasures:

The Company's business strategy focuses on maintaining its established expertise in manufacturing and strict quality control to produce high-quality products. Process improvement is also prioritized as part of the research and development efforts to enhance product competitiveness. In terms of promotion, the Company emphasizes the unique specifications of its Geomembrane products to educate clients about the differences between Huikwang's Geomembrane and inferior products in terms of quality and price. By providing an analysis of the cost-effectiveness based on the product's physical properties and durability, clients are more likely to accept higher specification products and longer quality assurance periods in their engineering designs, thereby eliminating the need for price-oriented strategies employed by low-quality competitors. In addition, the Company offers customized specifications to meet the changing market demands and provide customers with a more diverse range of product choices.

(2) Important Usage and Production Process of Main Products

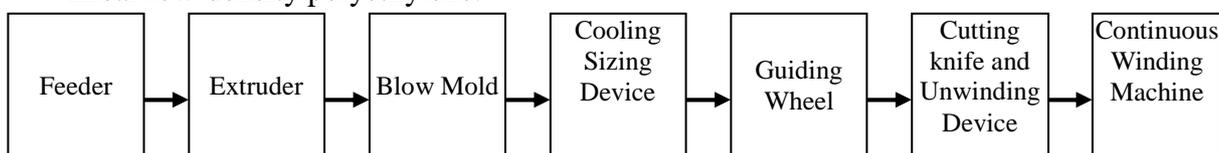
(1) Plant Protection Agent

Plant Protection Agent products can be classified into Insecticides, Herbicides, Fungicides, Miticides, and others based on their pest control purposes. However, during the manufacturing and processing stage, they can be further divided into various formulations based on the physical and chemical properties as well as safety considerations of the technical-grade agents used.



(2) Geosynthetics

production process involves large-scale extrusion blow molding, which is a capital and technology-intensive process. The main material used is high-density or linear low-density polyethylene.



(3) Supply Status of Main Materials

To maintain the stability of raw material supply and product quality, the Company maintains long-term and close relationships with its suppliers. Regular evaluations are conducted regarding supplier lead times and product quality, although long-term supply contracts are not necessarily signed. However, due to the stable relationships, there are no issues of over-concentration of supply or shortages/interruptions of raw materials. In the case of polyethylene resin, which requires higher material properties for Geosynthetics, only a few major manufacturers produce plastic pellets specifically designed and manufactured for these purposes. The Company has established long and stable relationships with these suppliers and holds regular meetings for technical and business exchanges, ensuring a relatively stable supply.

| Main Raw Materials | Main Sources | Supply Status |
|--------------------------------|-------------------------------|---------------|
| Technical Grade Agro-pesticide | Japan, India, China, Bulgaria | Good |
| Polyethylene Resin | Qatar, Singapore | Good |
| Master Batch | Taiwan | Good |

(4) Name of Customers Engaged in Supply (Sales) Accounting for over 10% of Total Supplies (Sales) in Any of the Last Two Years, Amount(s) of Supply (Sales), Proportion to Total Supplies (Sales), and the Reason for Such Increase, Decrease or Change

1. Name of Customers Engaged in Supply Accounting for over 10% of Total Supplies in Any of the Last Two Years, and Amount(s) of Supply and Proportion to Total Supplies:

Unit: NT\$ thousands; %

| Year | 2021 | | | | 2022 | | | | 2023 as of the Previous Quarter | | | |
|------|-----------|-----------|--------------------------------------|----------------------|--|-----------|--------------------------------------|----------------------|---------------------------------|---------|--|----------------------|
| | Name | Amount | Percentage to All-year Net Sales [%] | Relation with Issuer | Name | Amount | Percentage to All-year Net Sales [%] | Relation with Issuer | Name | Amount | Percentage to Net Sales for the Current Year as of the Preceding Quarter [%] | Relation with Issuer |
| 1 | — | — | — | — | Cheongfuli (Hong Kong) Company Limited | 273,728 | 10.99 | None | — | — | — | — |
| | Others | 2,088,965 | 100 | — | Others | 2,217,490 | 89.01 | — | Others | 469,683 | 100 | — |
| | Net Sales | 2,088,965 | 100 | — | Net Sales | 2,491,218 | 100 | — | Net Sales | 469,683 | 100 | — |

2. Name of Customers Engaged in Purchase Accounting for over 10% of Total Purchases in Any of the Last Two Years, and Amount(s) of Supply and Proportion to Total Purchases:

Unit: NT\$ thousands; %

| Year | 2021 | | | | 2022 | | | | 2023 as of the Previous Quarter | | | |
|------|---|-----------|--|----------------------|---|-----------|--|----------------------|---------------------------------|---------|---|----------------------|
| | Name | Amount | Percentage to All-year Net Purchase[%] | Relation with Issuer | Name | Amount | Percentage to All-year Net Purchase[%] | Relation with Issuer | Name | Amount | Percentage to Net Purchase for the Current Year as of the Preceding Quarter [%] | Relation with Issuer |
| 1 | QChem China | 427,073 | 29.76 | None | Zhejiang Jinfanda Biochemical Co., Ltd. | 545,502 | 31.38 | None | QChem China | 56,510 | 25.45 | None |
| 2 | Zhejiang Jinfanda Biochemical Co., Ltd. | 252,838 | 17.62 | None | QChem China | 384,109 | 22.09 | None | — | — | — | — |
| | Others | 755,347 | 52.62 | — | Others | 809,070 | 46.53 | — | Others | 165,503 | 74.55 | — |
| | Net Purchase | 1,435,258 | 100 | — | Net Purchase | 1,738,681 | 100 | — | Net Purchase | 222,013 | 100 | — |

Reason for Increase/Decrease:

The Company has maintained good cooperation with its main customers and suppliers in the past two years. The sales and procurement amounts of the Company in the past two years have fluctuated based on market supply and demand without significant abnormalities.

(5) Production in the Last Two Years

Unit: NT\$ thousands; tons

| Output | Year | 2021 | | | 2022 | | |
|------------------------|------|----------|----------|-----------|----------|----------|-----------|
| | | Capacity | Quantity | Amount | Capacity | Quantity | Amount |
| Main Products | | | | | | | |
| Plant Protection Agent | | — | 10,330 | 1,279,731 | — | 10,732 | 1,368,699 |
| Geosynthetics | | — | 14,172 | 623,814 | — | 13,997 | 718,703 |
| Total | | — | 24,502 | 1,903,545 | — | 24,729 | 2,087,402 |

(6) Shipments and Sales in the Last Two Years

Unit: NT\$ thousands; tons

| Shipment Sales | Year | 2021 | | | | 2022 | | | |
|------------------------|------|----------|---------|----------|-----------|----------|---------|----------|-----------|
| | | Local | | Export | | Local | | Export | |
| | | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Main Products | | | | | | | | | |
| Plant Protection Agent | | 3,030 | 513,402 | 5,821 | 852,307 | 2,583 | 532,691 | 7,968 | 1,040,001 |
| Geosynthetics | | 1,972 | 155,415 | 9,527 | 567,841 | 1,526 | 115,104 | 12,275 | 803,422 |
| Total | | 5,002 | 668,817 | 15,348 | 1,420,148 | 4,109 | 647,795 | 20,243 | 1,843,423 |

3. The Number of Employees Employed

| Year | | 2021 | 2022 | As of March 31, 2023 |
|--------------------------|--------------------------|--------|--------|----------------------|
| Number of Employees | Sales and Management | 105 | 102 | 100 |
| | Direct Employee | 72 | 90 | 93 |
| | Indirect Employee | 65 | 46 | 44 |
| | Researchers | 17 | 25 | 23 |
| | Total | 259 | 263 | 260 |
| Average Age | | 42.87 | 42.95 | 43.48 |
| Average Years of Service | | 9.47 | 9.10 | 8.6 |
| Education % | Ph.D. | 0.39% | 0.38% | 0.38% |
| | Masters | 8.49% | 6.84% | 7.31% |
| | Bachelor's Degree | 47.49% | 43.73% | 43.46% |
| | Senior High School | 24.32% | 28.52% | 29.62% |
| | Below Senior High School | 19.31% | 20.53% | 19.23% |

Workplace Diversity Policy:

We are committed to providing a dignified and safe work environment for our employees. We implement employment diversity, fairness in compensation and advancement opportunities, and ensure that employees are not discriminated against, harassed or treated unequally on the basis of race, gender, religious beliefs, age, political orientation and any other status protected by applicable laws and regulations.

| Indicator (% of female employees) | Percentage(%) | 2030 Target |
|--|---------------|-------------|
| Total Female Employees | 30.80 | 35% |
| Female as a percentage of all executives | 24.00 | 30% |
| Female as Executives | 30.77 | 35% |

| Indicator (nationality) | Number of people | Percentage(%) |
|-------------------------|------------------|---------------|
| Taiwan | 116 | 44.11 |
| Vietnam | 21 | 7.98 |
| China | 116 | 44.11 |
| Thailand | 10 | 3.80 |
| Total | 263 | 100.00 |

4. Environmental Protection Expenditure

(1) Environmental Protection Information

1.The Company has obtained a series of Pollution-Centric Operating Permits

| Items | Permit Number | Permit Validity |
|---|---|-----------------------|
| Water Pollution Prevention Permit | Tainan-City-Environment-Water-Zi-No. 00711-12 | 2022.03.30~2026.11.23 |
| Operating Permit for Fixated Pollution Sources-Manufacturing Procedure for Technical Grade Agro-pesticide | Tainan-City-Environment-Air-Operating-Permit-Zi. No. D0175-02 | 2022.04.15~2027.04.04 |
| Operating Permit for Fixated Pollution Sources-Compounding Procedure for Agro-pesticide | Tainan-City-Environment-Air-Operating-Permit-Zi. No. D0894-00 | 2022.05.24~2027.05.23 |
| Operating Permit for Fixated Pollution Sources-Manufacturing Procedure for Plastic Films and Bags | Tainan-City-Environment-Air-Operating-Permit-Zi. No. D0869-02 | 2023.04.03~2028.04.02 |

2. Dedicated Environmental Protection Personnel shall be appointed

| Items | Name | Permit Type | Permit Number |
|-----------------|----------------|--|--|
| Wastes | Zheng-Long Cai | Class A Technician for Waste Treatment | (102) EPA-Training-Permit-Zi. No. HA130606 |
| Air Pollution | Zheng-Long Cai | Class A Dedicated Personnel for Air Pollution Preventions | (105) EPA-Training-Permit-Zi. No. FA130480 |
| Wastewater | Zheng-Long Cai | Class A Dedicated Personnel for Wastewater Treatment | (102) EPA-Training-Permit-Zi. No. GA450292 |
| Toxic Chemicals | Zheng-Long Cai | Class A Professional Technical Manager for Toxic Chemicals | (101) EPA-Training-Permit-Zi. No. JA030357 |

- (2) Disclose the losses suffered by the Company resulting from violations against environmental pollution in the most recent year and as of the publication date of this Annual Report (including compensation and violations against environmental protection laws and regulations, per environmental protection audit result, and date of disposition, disposition document number, articles the Company has violated against, contents of violated laws and regulations, and content of disposition shall be disclosed):

| Violations | Date of Disposition | Disposition Document No. | Content of Violated Laws | Content of Disposition |
|---|---------------------|---|--|---|
| Paragraph 1, Subparagraph 1, Article 31 of the Waste Disposal Act | 2022.03.02 | Environment-Affairs-Waste-Ruling-Zi No. 111030563 | Failure to specify the waste on the Company's industrial waste disposal plan. | Fine of NT\$ 6,000, plus mandatory environmental lecture for 1 full hour. |
| Paragraph 1, Subparagraph 2, Article 31 of the Waste Disposal Act | 2022.03.02 | Environment-Affairs-Waste-Ruling-Zi No.111030564 | Where the Company shall report via the Internet the circumstances regarding the production, storage, clearance, and disposal of the waste at issue, the Company failed to report the production and storage records. | Fine of NT\$ 6,000, plus mandatory environmental lecture for 1 full hour. |
| Paragraph 1, Article 36 of the Waste Disposal Act | 2022.03.02 | Environment-Affairs-Waste-Ruling-Zi No.111030565 | Improper equipment or measures for waste storage, with some wastes not labeled; and some waste being dumped and damaged, polluting the ground and rainwater drains. | Fine of NT\$ 18,000, plus mandatory environmental lecture for 2 full hours. |
| Paragraph 1, Article 36 of the Air Pollution Control Act | 2022.02.23 | Government-Environment-Air-Zi-No. 1110061161 | A Company vehicle (License plate: 932-UG) emits black smoke with an opacity of 3.0m^{-1} , exceeding the emission standards for air pollutants emitted by mobile pollution sources. | Fine of NT\$ 20,000, plus mandatory environmental lecture for 8 full hours. |

- (3) The estimated amount and response measures that may occur at present and in the future due to environmental pollution: None.

5. Labor Relations

- (1) Various Employee Welfare Measures, Continuing Education, Training, Pension System and the Implementations thereof

1. Various Employee Welfare Measures

The Company has established a comprehensive welfare system to benefit all employees and promote labor-management harmony. An Employee Welfare Committee has been formed to oversee various welfare measures, and the Company allocates welfare funds in accordance with the law to be managed by the Employee Welfare Committee for the implementation of these welfare initiatives.

2. Continuing Education, Training

To achieve the overall business objectives and enhance the skills of employees while nurturing excellent managerial talents, the Company has established a management policy for education and training. Any individual development and educational training related to human resource development in the Company are covered by this policy.

The Company places emphasis on the training and development of its employees and allocates a certain budget each year for employee education and training expenses. The goal is to enhance the quality of Company products through continuous learning and improvement on an individual level, and to create an environment where the employees may learn in joy and grow together.

Implementation Status of Continuing Education and Training for Employees in the Current Year

| Items | Total Attendees | Total Hours |
|---------------------------------------|-----------------|-------------|
| 1. New Employee Training | 77 | 556 |
| 2. Professional Capabilities Training | 78 | 441 |
| 3. General Education Training | 743 | 1,306 |
| 4. Supervisor Skills Training | 7 | 45 |
| Total | 905 | 2,321 |

The following certifications were obtained by The Company's personnel involved in financial information and corporate governance in the recent year (2022) through participation in seminars organized by external organizations, in accordance with relevant regulations:

| Title | Name | Training Period | | Organizer | Course Name | Training Hours |
|-----------------------|-----------------|-----------------|------------|--|--|----------------|
| | | From | To | | | |
| Accounting Supervisor | Shu-Mei Huang | 2022/07/21 | 2022/07/22 | National Cheng Kung University | Continuing Education Program for Accounting Supervisors | 12 |
| Auditing Supervisor | Wen-Hsing Cheng | 2022/10/11 | 2022/10/11 | Accounting Research and Development Foundation | Investigation Practices and Case Analysis of Corporate Fraud | 6 |
| | | 2022/11/18 | 2022/11/18 | Institute of Internal Auditors-Chinese Taiwan | Exploring the Impact on Corporate Internal Controls and Response Measures from the ESG Risks Perspective in the Wave of Climate Change and Sustainable Development | 6 |

3. Pension System and the Implementations

According to the regulations of the employee retirement policy, employees having served for 15 years or more and are aged 55 or above, or employees who have

served for 25 years or more, may apply for voluntary retirement; employees who are 60 years old or above or are deemed unfit for work may be required to retire. The pension for each retired employee are calculated based on a multiple of two for each year of service, but for service years exceeding 15 years, it is calculated based on a multiple of one for each year. For service years less than one year, it is calculated as half a year for periods less than six months and as one year if it is six months or more, with a maximum limit of 45 multiples. The standard for calculating the employee's pension is the average monthly salary at the time of retirement approval, which is calculated according to the relevant provisions of the Labor Standards Act.

Since July 1, 2005, the Company has adopted a defined contribution retirement plan in accordance with the "Labor Pension Act" for employees who are citizens of the country. The Company contributes a monthly amount not less than 6% of the salary to the individual accounts of employees at the Bureau of Labor Insurance, based on the portion of the labor retirement pension system specified in the "Labor Pension Act" that employees choose to apply. The payment of employee retirement benefits is made in the form of monthly pension or lump-sum withdrawal, based on the individual employee's retirement pension account and accumulated earnings.

4. Status of Employee-Employer Agreements and Various Employee Rights Maintenance Measures

| Items | Contents |
|--|---|
| Access Security | A scrutinized access control and surveillance system is in place day and night, with 24-hour security personnel ensuring the safety of the plants. |
| Maintenance and Check of Various Equipment | 1. Every year, a professional company is entrusted to conduct public safety inspections of the buildings. 2. Fire inspections are performed every six months by an entrusted external party in accordance with the Fire Services Act. 3. Regular maintenance and inspections of equipment are carried out in accordance with the Labor Safety and Health Management Act. |
| Disaster Prevention Measures and Responses | 1. The company has adopted its "Plant Emergency Response Manual", "Safety Protection and Grouping Guidelines for Individual Units", "Labor Safety and Health Work Guidelines", "Labor Safety and Health Management Regulations", "Occupational Accident Prevention and Autonomous Inspection Program", and "Facility Safety Maintenance Guidelines" for disaster prevention, rescue procedures, and occupational accident reporting. 2. Regular fire and disaster prevention drills are conducted. 3. The Company has established its Environmental and Safety Office responsible for promoting safety and health measures. It includes one dedicated Class C Labor Safety and Health Supervisor and two dedicated Labor Safety and Health Administrators, registered with the Southern Region Inspection Office, Labor Commission (now Ministry of Labor), Executive Yuan. |
| Physiological Health | Health check-ups: Employees undergo regular health check-ups every year in accordance with the Labor Safety and Health Management Act. |
| Mental Health | The Company has established its Employee Welfare Committee that extensively discusses and promotes employee welfare measures in collaboration with management, fostering a harmonious atmosphere between labor and management. |

- (2) Disclose the losses suffered by the Company resulting from labor disputes in the most recent year and as of the publication date of this Annual Report (including compensation and violations against Labor Standards Act, per labor inspection result, and date of disposition, disposition document number, articles the Company has

violated against, contents of violated laws and regulations, and content of disposition shall be disclosed): Due to the harmonious relationship between labor and management in the Company, no labor disputes have occurred, and therefore no losses have been incurred as a result.

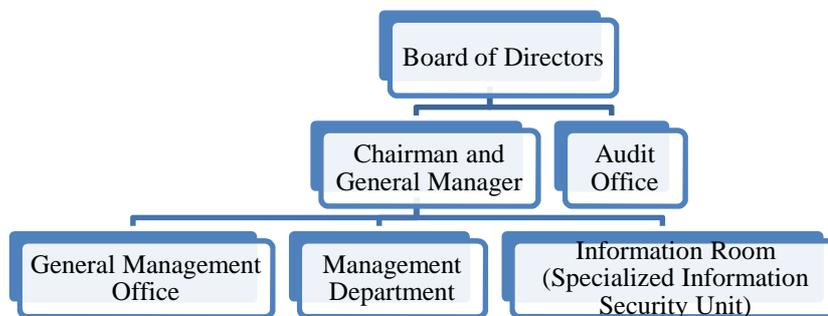
- (3) The estimated amount and response measures that may occur at present and in the future
The Company will continue to uphold its longstanding principles of harmonious labor relations and creating a favorable work environment for its employees. Therefore, the likelihood of future labor disputes and associated losses will be kept low.

6. Cyber Security Management:

(1) Information Security Risk Management Framework

The Information Office is responsible for planning, supervising and promoting the implementation of the information security management system. The related matters include the formulation and regular review of information security policies, including information security incident notification and response mechanisms, and regular dissemination of information to employees, promotion of information business efficiency and quality, and prevention and correction effects.

In order to strengthen the information security management of the Company and ensure the security of data, system and network, the Board of Directors approved the establishment of a dedicated information security unit and the appointment of a dedicated director and personnel in the future, who are responsible for coordinating and implementing the Company's information security policy, disseminating The Board of Directors approved the establishment of a dedicated information security unit and the appointment of responsible officers and personnel to coordinate and implement the company's information security policy, disseminate information security information, and raise employees' information security awareness to reduce corporate information security risks. In addition, in order to enhance the effectiveness of information security management and implementation, the Company's internal audit is responsible for checking the status of internal information security implementation, and the audit is conducted once a year.



(2) Information security policy and specific management plan

1. Network security management

- (1) Configure multi-functional protective firewall to block hackers' illegal intrusion.
- (2) Configure Internet behavior management system to control network access and block access to harmful or policy-unacceptable URLs and contents to strengthen network security and prevent bandwidth from being improperly occupied.

2. System access control

- (1) The use of each application system of the company must be approved by the responsible supervisor through the application process, and then the information office will create an account and open the privileges according to the functions applied for before it can be used.

- (2) The password of the account must be set in accordance with the strength of the regulations, and the text must be numerically mixed.
- (3) When the staff members go through the exit procedure, they should contact the information room to delete the accounts of each system.
- 3. Implementation of information security training
 - (1) Include information security courses in the education and training of new employees.
 - (2) From time to time, we will disseminate the latest information security information, such as ransomware, phishing emails, and fraudulent URL links.
- 4. Virus protection and management
 - (1) TrendMicro protection software is installed on all servers and colleagues' computer equipment, and virus codes are automatically updated to ensure that the latest viruses are blocked.
 - (2) The e-mail server is equipped with a spam filtering mechanism to prevent viruses or spam from entering the user's PC.
- 5. Ensure system availability
 - (1) Backup management system is set up to regularly backup the daily data.
 - (2) Regularly implement disaster recovery exercises, and after selecting the restoration benchmark, the backup files are saved back to the system host.
- 6. Computer equipment security management
 - (1) The company's computer hosts and application servers are installed in a dedicated server room, and the access to the server room is registered with a real name system, and records are kept for inspection.
 - (2) There are independent air-conditioning and uninterrupted power supply system in the information room to keep the computer equipment running at a suitable temperature and not to interrupt the operation of the computer application system in case of power failure.
 - (3) The Company's operating assets such as servers, network equipment, and other information equipment are subject to annual maintenance and spare parts contracts.
- (3) Resources invested in information security management

In response to the challenges of information security, such as APT advanced persistent penetration attacks, DDoS attacks, ransomware and theft of personal information, the Company continues to pay attention to the changing trend of the information environment and strengthen the awareness of information security crisis among employees and the ability of information security personnel to respond to changes. In order to prevent information security crisis in advance or when it occurs, we can effectively detect and prevent its expansion. The Company has also budgeted for the evaluation and improvement of information and communication security management as follows:

 - 1. Purchase new firewall to enhance the protection of the company's network and information system.
 - 2. Upgrade ERP system and related operation systems to enable the company's employees to operate in the cloud.
 - 3. Add anti-virus software to prevent the company's network and files from being invaded by hackers, viruses and ransomware.
- (4) List the losses, possible impacts and response measures suffered in the most recent year and as of the publication date of this Annual Report due to major info-security incidents. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.

7. Important Covenants: None

VI. Financial Information

1. Condensed Balance Sheets and Statements of Comprehensive Income in the Last 5 Calendar Years

1. Condensed Balance Sheet

Unit: NT\$ thousands

| Year | | Financial Summary for The Last Five Years (Note 1) | | | | | Financial Summary in 2023 as of March 31 (Note 2) |
|---|---------------------|--|-----------|-----------|-----------|-----------|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Item | | | | | | | |
| Current Assets | | 2,061,844 | 2,090,860 | 2,250,534 | 2,238,476 | 2,383,648 | 2,337,990 |
| Property, Plant and Equipment | | 673,465 | 727,329 | 717,798 | 708,116 | 684,192 | 667,510 |
| Intangible Assets | | 11,981 | 11,737 | 11,832 | 351 | 238 | 612 |
| Other Assets | | 190,599 | 198,085 | 223,441 | 236,192 | 190,753 | 180,550 |
| Total Assets | | 2,937,889 | 3,028,011 | 3,203,605 | 3,183,135 | 3,258,831 | 3,186,662 |
| Current Liabilities | Before Distribution | 695,254 | 687,798 | 803,380 | 633,458 | 630,101 | 730,033 |
| | After Distribution | 821,823 | 840,406 | 939,855 | 890,469 | 862,466 | 730,033 |
| Non-current Liabilities | | 113,226 | 119,005 | 125,424 | 97,325 | 80,731 | 82,069 |
| Total Liabilities | Before Distribution | 808,480 | 806,803 | 928,804 | 730,783 | 710,832 | 812,102 |
| | After Distribution | 935,049 | 959,411 | 1,065,279 | 987,794 | 943,197 | 812,102 |
| Equity Attributable to Shareholders of the Parent | | 2,129,409 | 2,221,208 | 2,274,801 | 2,452,352 | 2,547,999 | 2,374,560 |
| Capital Stock | | 843,795 | 847,822 | 852,970 | 856,702 | 860,612 | 879,505 |
| Capital Surplus | | 173,188 | 180,499 | 188,943 | 196,666 | 210,106 | 210,106 |
| Retained Earnings | Before Distribution | 1,174,603 | 1,274,564 | 1,311,252 | 1,504,600 | 1,563,143 | 1,367,433 |
| | After Distribution | 1,048,034 | 1,121,956 | 1,174,777 | 1,247,589 | 1,330,778 | 1,367,433 |
| Other Equity Interest | | -62,177 | -81,677 | -78,364 | -105,616 | -85,862 | -82,484 |
| Treasury Stock | | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-controlling Interest | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Equity | Before Distribution | 2,129,409 | 2,221,208 | 2,274,801 | 2,452,352 | 2,547,999 | 2,374,560 |
| | After Distribution | 2,002,840 | 2,068,600 | 2,138,326 | 2,195,341 | 2,315,634 | 2,374,560 |

Note 1: The above financial data in the period 2018-2022 has been audited and attested by CPAs.

Note 2: The above financial data for Q1 2023 has been reviewed by the CPAs.

2. Parent-Only Condensed Balance Sheet

Unit: NT\$ thousands

| Item | Year | Financial Summary for The Last Five Years (Note 1) | | | | | Financial Summary in 2023 as of March 31 (Note 2) |
|---|---------------------|--|-----------|-----------|-----------|-----------|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Current Assets | | 1,529,993 | 1,503,247 | 1,514,471 | 1,755,845 | 1,918,032 | No parent-only financial report has been prepared for Q1 2023 |
| Property, Plant and Equipment | | 543,388 | 527,248 | 499,162 | 474,470 | 448,823 | |
| Intangible Assets | | 186 | 414 | 309 | 351 | 238 | |
| Other Assets | | 791,479 | 931,799 | 983,987 | 872,425 | 802,403 | |
| Total Assets | | 2,865,046 | 2,962,708 | 2,997,929 | 3,103,091 | 3,169,496 | |
| Current Liabilities | Before Distribution | 615,443 | 609,179 | 581,981 | 541,195 | 523,327 | |
| | After Distribution | 742,012 | 761,787 | 718,456 | 798,206 | 755,692 | |
| Non-current Liabilities | | 120,194 | 132,321 | 141,147 | 109,544 | 98,170 | |
| Total Liabilities | Before Distribution | 735,637 | 741,500 | 723,128 | 650,739 | 621,497 | |
| | After Distribution | 862,206 | 894,108 | 859,603 | 907,750 | 853,862 | |
| Equity Attributable to Shareholders of the Parent | | 2,129,409 | 2,221,208 | 2,274,801 | 2,452,352 | 2,547,999 | |
| Capital Stock | | 843,795 | 847,822 | 852,970 | 856,702 | 860,612 | |
| Capital Surplus | | 173,188 | 180,499 | 188,943 | 196,666 | 210,106 | |
| Retained Earnings | Before Distribution | 1,174,603 | 1,274,564 | 1,311,252 | 1,504,600 | 1,563,143 | |
| | After Distribution | 1,048,034 | 1,121,956 | 1,174,777 | 1,247,589 | 1,330,778 | |
| Other Equity Interest | | -62,177 | -81,677 | -78,364 | -105,616 | -85,862 | |
| Treasury Stock | | 0 | 0 | 0 | 0 | 0 | |
| Non-controlling Interest | | 0 | 0 | 0 | 0 | 0 | |
| Total Equity | Before Distribution | 2,129,409 | 2,221,208 | 2,274,801 | 2,452,352 | 2,547,999 | |
| | After Distribution | 2,002,840 | 2,068,600 | 2,138,326 | 2,195,341 | 2,315,634 | |

Note 1: The above financial data in the period 2018-2022 has been audited and attested by CPAs.

Note 2: No parent-only financial report has been prepared for Q1 2023.

3. Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

| Year Items | Financial Summary for The Last Five Years (Note 1) | | | | | Financial Summary in 2023 as of March 31 (Note 2) |
|--|--|-----------|-----------|-----------|-----------|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating Revenue | 2,168,932 | 2,077,267 | 1,837,209 | 2,088,965 | 2,491,218 | 469,683 |
| Operating Gross Profit | 502,354 | 578,652 | 533,647 | 543,406 | 607,823 | 128,441 |
| Income from Operations | 214,572 | 298,067 | 292,151 | 241,774 | 296,243 | 53,038 |
| Non-operating Income and Expenses | 33,482 | -4,319 | -38,943 | 230,196 | 100,356 | -3,601 |
| Income before Tax | 248,054 | 293,748 | 253,208 | 471,970 | 396,599 | 49,437 |
| Profit (loss) from Continuing Operations before Tax | 182,324 | 226,314 | 189,186 | 329,078 | 314,462 | 36,655 |
| Loss from Discontinued Operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Profit (Loss) | 182,324 | 226,314 | 189,186 | 329,078 | 314,462 | 36,655 |
| Other Comprehensive Income (Income after Tax) | -11,569 | -19,284 | 3,423 | -26,507 | 20,846 | 3,378 |
| Total Comprehensive Income | 170,755 | 207,030 | 192,609 | 302,571 | 335,308 | 40,033 |
| Net Income Attributable to Shareholders of the Parent | 182,324 | 226,314 | 189,186 | 329,078 | 314,462 | 36,655 |
| Net Income Attributable to Non-controlling Interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive Income Attributable to Shareholders of the Parent | 170,755 | 207,030 | 196,609 | 302,571 | 335,308 | 40,033 |
| Comprehensive Income Attributable to Non-controlling Interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings per Share | 2.16 | 2.67 | 2.22 | 3.85 | 3.66 | 0.43 |

Note 1: The above financial data in the period 2018-2022 has been audited and attested by CPAs.

Note 2: The above financial data for Q1 2023 has been reviewed by the CPAs.

4. Parent-Only Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

| Year Items | Financial Summary for The Last Five Years (Note 1) | | | | | Financial Summary in 2023 as of March 31 (Note 2) |
|---|--|-----------|-----------|-----------|-----------|--|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating Revenue | 1,778,854 | 1,620,913 | 1,379,966 | 1,604,563 | 2,166,906 | No parent-only financial report has been prepared for Q1 2023 |
| Operating Gross Profit | 325,207 | 403,132 | 356,512 | 358,801 | 472,377 | |
| Income from Operations | 160,735 | 247,706 | 227,636 | 201,770 | 280,955 | |
| Non-operating Income and Expenses | 76,106 | 36,223 | 11,654 | 207,435 | 113,707 | |
| Income before Tax | 236,841 | 283,929 | 239,290 | 409,205 | 394,662 | |
| Profit (loss) from Continuing Operations before Tax | 182,324 | 226,314 | 189,186 | 329,078 | 314,462 | |
| Loss from Discontinued Operations | 0 | 0 | 0 | 0 | 0 | |
| Net Profit (Loss) | 182,324 | 226,314 | 189,186 | 329,078 | 314,462 | |
| Other Comprehensive Income (Income after Tax) | -11,569 | -19,284 | 3,423 | -26,057 | 20,846 | |
| Total Comprehensive Income | 170,755 | 207,030 | 192,609 | 302,571 | 335,308 | |
| Net Income Attributable to Shareholders of the Parent | 182,324 | 226,314 | 189,196 | 329,078 | 314,462 | |
| Net Income Attributable to Non-controlling Interest | 0 | 0 | 0 | 0 | 0 | |
| Comprehensive Income Attributable to Shareholders of the Parent | 170,755 | 207,030 | 192,609 | 302,571 | 335,308 | |
| Comprehensive Income Attributable to Non-controlling Interest | 0 | 0 | 0 | 0 | 0 | |
| Earnings per Share | 2.16 | 2.67 | 2.22 | 3.85 | 3.66 | |

Note 1: The above financial data in the period 2018-2022 has been audited and attested by CPAs.

Note 2: No parent-only financial report has been prepared for Q1 2023.

(2) Auditors' Names and Opinions in the Last 5 Calendar Years

| Year | Name of Accounting Firm | Name(s) of CPA(s) | Audit Opinion |
|------|-------------------------|--------------------------------------|---------------------|
| 2022 | PwC Taiwan | CPAs Fang-Ting Yeh and Yung-Zhih Lin | Unqualified Opinion |
| 2021 | PwC Taiwan | CPAs Yung-Zhih Lin and Tzu-Yu Lin | Unqualified Opinion |
| 2020 | PwC Taiwan | CPAs Yung-Zhih Lin and Tzu-Yu Lin | Unqualified Opinion |
| 2019 | PwC Taiwan | CPAs Yung-Zhih Lin and Tzu-Yu Lin | Unqualified Opinion |
| 2018 | PwC Taiwan | CPAs Yung-Zhih Lin and Tzu-Yu Lin | Unqualified Opinion |

2. Financial Analysis in the Last 5 Calendar Years

(1) Financial Analysis

| Year Analysis Items | | Financial Analysis for the Last 5 Calendar Years (Note 1) | | | | | Financial Information as of March 31, 2023 (Note 2) |
|-------------------------|--|---|--------|--------|--------|--------|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial Structure (%) | Debt Ratio | 27.52 | 26.64 | 28.99 | 22.96 | 21.81 | 25.48 |
| | Ratio of Long-term Capital to Fixed Assets | 333.00 | 321.75 | 334.39 | 360.06 | 384.21 | 368.03 |
| Solvency % | Current Ratio | 296.56 | 303.99 | 280.13 | 353.37 | 378.30 | 320.26 |
| | Quick Ratio | 175.00 | 178.32 | 172.29 | 205.33 | 222.70 | 196.93 |
| | Interest Earned Ratio | 74.45 | 96.5 | 82.50 | 185.24 | 136.76 | 48.41 |
| Operating Ability | Accounts Receivable Turnover (Times) | 4.13 | 4.34 | 4.73 | 4.01 | 3.34 | 0.63 |
| | Average Collection Period | 88.37 | 84.10 | 77.16 | 91.02 | 109.28 | 142 |
| | Inventory Turnover (Times) | 1.93 | 1.77 | 1.51 | 1.71 | 1.98 | 0.37 |
| | Accounts Payable Turnover (Times) | 10.29 | 9.35 | 13.58 | 17.25 | 17.88 | 4.03 |
| | Average Days in Sales | 189.11 | 206.21 | 241.72 | 213.45 | 184.34 | 243 |
| | Property, Plant and Equipment Turnover (Times) | 3.15 | 2.97 | 2.54 | 2.93 | 3.58 | 0.69 |
| | Total Assets Turnover (Times) | 0.74 | 0.70 | 0.59 | 0.65 | 0.77 | 0.15 |
| Profitability | Return on Assets (%) | 6.28 | 7.67 | 6.15 | 10.37 | 9.84 | 1.16 |
| | Return on Stockholders' Equity (%) | 8.70 | 10.40 | 8.42 | 13.92 | 12.58 | 1.49 |
| | Pre-tax Income to Paid-in Capital (%) | 29.40 | 34.65 | 29.69 | 55.09 | 46.08 | 5.74 |
| | Profit Ratio (%) | 8.41 | 10.89 | 10.30 | 15.75 | 12.62 | 7.80 |
| | Earnings per Share (NT\$) | 2.16 | 2.67 | 2.22 | 3.85 | 3.66 | 0.43 |
| Cash Flow | Cash Flow Ratio (%) (Description 1) | 34.76 | 66.51 | 41.78 | -13.70 | 21.60 | 39.64 |
| | Cash Flow Adequacy Ratio (%) | 114.04 | 139.39 | 138.97 | 101.59 | 88.87 | 107.17 |
| | Cash Reinvestment Ratio (%) (Description 1) | 4.32 | 10.60 | 5.73 | -6.60 | -3.44 | 8.67 |
| Leverage | Operating Leverage | 1.66 | 1.49 | 1.46 | 1.65 | 1.73 | 1.91 |
| | Financial Leverage | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | 1.02 |

Note 1: The financial information for the period 2018~2022 has been audited and attested by CPAs.

Note 2: The financial information for Q1 2023 above has been reviewed by CPAs.

Analysis of financial ratio differences for the last two years, where the difference is 20% and more:

- Solvency:** The decrease in the Interest Earned Ratio is mainly due to the recognition of benefits from the delivery and recognition of pending sales of assets in the government expropriation of Zhejiang Huikwang, resulting in a decrease in Income before Tax compared to the previous period.
- Operating Ability:** The increase in the Average Collection Period is attributed to the increase in Plant Protection Agent exports and longer collection days, leading to a decrease in Accounts Receivable Turnover and subsequently a decrease in the Collection Period. The increase in Property, Plant and Equipment turnover compared to the previous period is due to the increased revenue from Plant Protection Agent and Geosynthetics materials.
- Cash Flow:** The increase in the Cash Flow Ratio and Cash Reinvestment Ratio compared to the previous period is primarily due to the exclusion of the benefits recognized from the delivery and recognition of pending sales of assets in the government expropriation of Zhejiang Huikwang, which resulted in a decrease in net profit compared to the previous period. Additionally, in the previous period, income tax was paid on the benefits from the expropriation case, while in the current period, this situation did not occur, leading to an increase in cash inflows from operating activities and an improvement in the Cash Flow Ratio.

1. Financial Structure

- (1) Debt Ratio= $\text{Total Liabilities} / \text{Total Assets}$.
- (2) Ratio of Long-term Capital to Fixed Assets = $(\text{Total Equity} + \text{Non-current Liabilities}) / \text{Net Property, Plant and Equipment}$.

2. Solvency

- (1) Current Ratio= $\text{Current Assets} / \text{Current Liabilities}$.
- (2) Quick Ratio= $(\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$.
- (3) Interest Earned Ratio= $\text{Income before Taxes and Interest Expense} / \text{Interest Expenditure in the Current Period}$.

3. Operating Ability

- (1) Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) Turnover= $\text{Net Sales} / \text{Balance of Average Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) from Each Period}$.
- (2) Average Collection Period= $365 / \text{Account Receivable Turnover}$.
- (3) Inventory Turnover= $\text{Cost of Goods Sold} / \text{Average Inventory Amount}$.
- (4) Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) Turnover= $\text{Cost of Goods Sold} / \text{Balance of Average Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) from Each Period}$.
- (5) Average Days in Sales= $365 / \text{Inventory Turnover}$.
- (6) Property, Plant and Equipment Turnover= $\text{Net Sales} / \text{Average Net Property, Plant and Equipment}$
- (7) Total Asset Turnover= $\text{Net Sales} / \text{Average Total Assets}$.

4. Profitability

- (1) Return on Assets= $[\text{Income (Loss) after Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$.
- (2) Return on Shareholders' Equity= $\text{Income (Loss) after Tax} / \text{Average Total Equity}$.
- (3) Profit Ratio= $\text{Income (Loss) after Tax} / \text{Net Sales}$.
- (4) Earnings per Share= $(\text{Income Attributable Shareholders of the Parent} - \text{Dividend of Preferred Shares}) / \text{Weighted Average of Issued Shares}$.

5. Cash Flows

- (1) Cash Flow Ratio= $\text{Net Cash Flow from Operating Activities} / \text{Current Liabilities}$.
- (2) Net Cash Flow Adequacy Ratio= $\text{Net Cash Flow from Operating Activities (Capital Expenditure} + \text{Increase in Inventory} + \text{Cash Dividend) in the Last 5 Calendar Years}$.
- (3) Cash Reinvestment Ratio= $(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investment} + \text{Other Non-current Assets} + \text{Operation Funds})$.

6. Leverage:

- (1) Operating Leverage= $(\text{Net Sales} - \text{Variable Operating Cost and Expense}) / \text{Income from Operations}$.
- (2) Financial Leverage= $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expense})$.

(2) Parent-Only Financial Analysis

| Analysis Items | | Financial Analysis for the Last 5 Calendar Years (Note 1) | | | | | Financial Information as of March 31, 2023 |
|-------------------------|--|---|--------|--------|--------|--------|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial Structure (%) | Debt Ratio | 25.68 | 25.03 | 24.12 | 20.97 | 19.61 | Financial Statements for Q1 2023 is not yet prepared. |
| | Ratio of Long-term Capital to Fixed Assets | 414.00 | 446.38 | 484.00 | 539.95 | 589.58 | |
| Solvency % | Current Ratio | 248.60 | 246.77 | 260.23 | 324.44 | 366.51 | |
| | Quick Ratio (Description 1) | 149.88 | 142.97 | 150.16 | 191.13 | 238.52 | |
| | Interest Earned Ratio | 71.13 | 93.31 | 78.02 | 168.25 | 138.25 | |
| Operating Ability | Accounts Receivable Turnover (Times) | 3.77 | 3.79 | 4.24 | 3.44 | 3.11 | |
| | Average Collection Period | 96.82 | 96.31 | 86.08 | 106.10 | 117.36 | |
| | Inventory Turnover (Times) | 2.16 | 1.91 | 1.58 | 1.8 | 2.37 | |
| | Accounts Payable Turnover (Times) | 8.34 | 7.69 | 11.19 | 14.27 | 17.95 | |
| | Average Days in Sales | 168.98 | 191.10 | 231.01 | 202.78 | 154.01 | |
| | Property, Plant and Equipment Turnover (Times) | 3.17 | 3.03 | 2.69 | 3.30 | 4.69 | |
| | Total Assets Turnover (Times) | 0.62 | 0.56 | 0.46 | 0.53 | 0.69 | |
| Profitability | Return on Assets (%) | 6.46 | 7.85 | 6.43 | 10.85 | 10.10 | |
| | Return on Stockholders' Equity (%) | 8.70 | 10.40 | 8.42 | 13.92 | 12.58 | |
| | Pre-tax Income to Paid-in Capital (%) | 28.07 | 33.49 | 28.05 | 47.77 | 45.86 | |
| | Profit Ratio (%) | 10.25 | 13.96 | 13.71 | 20.51 | 14.51 | |
| | Earnings per Share (NT\$) | 2.16 | 2.67 | 2.22 | 3.85 | 3.66 | |
| Cash Flows | Cash Flow Ratio (%) (Description 2) | 27.71 | 71.39 | 14.24 | 48.48 | 50.05 | |
| | Cash Flow Adequacy Ratio (%) | 108.40 | 125.5 | 132.22 | 134.14 | 125.19 | |
| | Cash Reinvestment Ratio (%) (Description 2) | 2.10 | 10.60 | -2.32 | 3.95 | 0.15 | |
| Leverage | Operating Leverage | 10.42 | 6.14 | 5.68 | 7.45 | 7.29 | |
| | Financial Leverage | 1.02 | 1.01 | 1.01 | 1.01 | 1.01 | |

Note 1: The financial information for the period 2018~2022 has been audited and attested by CPAs.

Analysis of financial ratio differences for the last two years, where the difference is 20% and more:

- Solvency:** The increase in Current Ratio and Quick Ratio compared to the previous period is primarily due to the increase in Plant Protection Agent exports and longer collection periods, resulting in an increase in accounts receivable compared to the previous period. Additionally, both Plant Protection Agent and Geosynthetics materials saw an increase in orders in the current period, leading to a decrease in inventory compared to the previous period and an improvement in the Quick Ratio.
- Operating Ability:** The decrease in Average Days in Sales and the increase in Inventory Turnover, Account Receivable Turnover, Property, Plant and Equipment Turnover, and Total Asset Turnover compared to the previous period is mainly attributed to increased demand in South America. This resulted in increased exports of Plant Protection Agent and growth in Geosynthetics materials compared to the previous period.
- Profitability:** The decrease in Profit Ratio compared to the previous period is primarily due to the previous period's recognition of benefits from the government expropriation of Zhejiang Huikwang, which increased recognized investment income and led to higher post-tax net profit compared to the current period.
- Cash Flow:** The decrease in the Cash Reinvestment Ratio compared to the previous period is primarily due to the previous period's increase in earnings from the recognition of benefits from the government expropriation of Zhejiang Huikwang. This resulted in increased dividend distribution compared to the previous period, leading to a decrease in the Cash Reinvestment Ratio in the current period.

1. Financial Structure

- (1) Debt Ratio= $\text{Total Liabilities} / \text{Total Assets}$.
- (2) Ratio of Long-term Capital to Fixed Assets = $(\text{Total Equity} + \text{Non-current Liabilities}) / \text{Net Property, Plant and Equipment}$

2. Solvency

- (1) Current Ratio= $\text{Current Assets} / \text{Current Liabilities}$.
- (2) Quick Ratio= $(\text{Current Assets} - \text{Inventory} - \text{Prepaid Expenses}) / \text{Current Liabilities}$.
- (3) Interest Earned Ratio= $\text{Income before Taxes and Interest Expense} / \text{Interest Expenditure in the Current Period}$.

3. Operating Ability

- (1) Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) Turnover= $\text{Net Sales} / \text{Balance of Average Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) from Each Period}$.
- (2) Average Collection Period= $365 / \text{Account Receivable Turnover}$.
- (3) Inventory Turnover= $\text{Cost of Goods Sold} / \text{Average Inventory Amount}$.
- (4) Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) Turnover= $\text{Cost of Goods Sold} / \text{Balance of Average Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) from Each Period}$.
- (5) Average Days in Sales= $365 / \text{Inventory Turnover}$.
- (6) Property, Plant and Equipment Turnover= $\text{Net Sales} / \text{Average Net Property, Plant and Equipment}$.
- (7) Total Asset Turnover= $\text{Net Sales} / \text{Average Total Assets}$.

4. Profitability

- (1) Return on Assets= $[\text{Income (Loss) after Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$.
- (2) Return on Shareholders' Equity= $\text{Income (Loss) after Tax} / \text{Average Total Equity}$.
- (3) Profit Ratio= $\text{Income (Loss) after Tax} / \text{Net Sales}$.
- (4) Earnings per Share= $(\text{Income Attributable Shareholders of the Parent} - \text{Dividend of Preferred Shares}) / \text{Weighted Average of Issued Shares}$.

5. Cash Flows

- (1) Cash Flow Ratio= $\text{Net Cash Flow from Operating Activities} / \text{Current Liabilities}$.
- (2) Net Cash Flow Adequacy Ratio= $\text{Net Cash Flow from Operating Activities in the Last 5 Calendar Years} / (\text{Capital Expenditure} + \text{Increase in Inventory} + \text{Cash Dividend})$.
- (3) Cash Reinvestment Ratio= $(\text{Net Cash Flow from Operating Activities} - \text{Cash Dividend}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investment} + \text{Other Non-current Assets} + \text{Operation Funds})$.

6. Leverage:

- (1) Operating Leverage= $(\text{Net Sales} - \text{Variable Operating Cost and Expense}) / \text{Income from Operations}$.
- (2) Financial Leverage= $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expense})$.

3. Audit Committee Review Reports for the Financial Statements in the Most Recent Year

HUIKWANG CORPORATION
Audit Committee Review Report

The following matters have been approved:

The Board of Directors has compiled and submitted the Company's Business Report of 2022, Financial Statements (consolidated and parent-only) and Earnings Distribution Table; among which contains Financial Reports audited and attested by PricewaterhouseCoopers Taiwan, with audit report issued. The aforesaid Business Report, Financial Statements and Earnings Distribution Table have been reviewed and determined to be correct and accurate by the Audit Committee. In accordance with Article 14-5 of Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this Report for your review.

To
HUIKWANG CORPORATION
2023 Regular Shareholders' Meeting

HUIKWANG CORPORATION
Audit Committee Convenor



蔡明志 

March 27, 2023

4. Financial Statements in the Most Recent Year

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Huikwang Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Huikwang Corporation and subsidiaries (the “Group”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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. Based on our audits, 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Valuation of allowance for inventories

Refer to Note 4(10) for the accounting policy on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(5) for details of inventories. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation losses are NT\$960,493 thousand and NT\$29,650 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of plant protection agents and geosynthetics, which are chemicals with long shelf life but still subject to climate, production technology and market demand, etc. Therefore, there is a certain risk of inventory losses due from market value decline or obsolescence. The Group's inventories are stated at the lower of cost and net realisable value. For aged over a certain period and individually recognised as obsolete inventories, the net realisable value was calculated based on the inventory clearance and historical data of discounts.

The determination of net realisable value for inventories aged over a certain period and obsolete inventories are subject to management's judgment and involves uncertainty. Considering that the amounts of the Group's inventories and allowance for inventory valuation losses are material to the consolidated financial statements, we considered the valuation of allowance for inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the policy and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the warehousing management procedures, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the procedures used to identify and control obsolete inventories.
3. Verified the accuracy of the aged inventory judged by management to confirm whether the classification of the inventory is consistent with its policies.

4. Sampled individual inventory item and checked its net realisable value in order to assess the reasonableness of the Group's allowance for inventory valuation losses.

Existence of sales revenue of geosynthetics

Refer to Note 4(26) for details on revenue recognition. Sales is recognised based on the contract price, net of the estimated output tax and sales returns and discounts, when control right of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the sales of products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group's sales revenue mainly arises from the sales of plant protection agents and geosynthetics. Sales revenue from geosynthetics has a high proportion of export sales based on the nature of its industry, mainly in response to the needs of customers for large-scale construction projects. Also, the Group has a large number of customers and distributors which are located all over the world, such as Mainland China, South Africa, Australia, Asia, etc., and it takes a long time to verify the existence of the transactions. Thus, we considered the existence of sales revenue from geosynthetics as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Confirmed the process of the recognition of sales revenue, and reviewed customers' credit information, the basis of revenue recognition, approval procedure and cash collection procedures in order to assess the effectiveness of the internal controls over revenue recognition.
2. Confirmed the basic information of the significant customers and analysed sales amount and conditions compared to the prior period in order to assess the reasonableness of the amount and nature related to the sales.
3. Selected samples of sales transactions from geosynthetics for the year, and examined customer orders, delivery orders, export declarations, sign off records, and sales invoices or subsequent collection condition to ascertain the occurrence of sales revenue from geosynthetics.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial

statements of Huikwang Corporation as of and for the years ended December 31, 2022 and 2021.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

Yeh, Fang-Ting

Independent Auditors

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 27, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | December 31, 2022 | | December 31, 2021 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 593,791 | 18 | \$ 549,034 | 17 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | - | - | 35,612 | 1 |
| 1136 | Financial assets at amortised cost - current | 6(1)(3) and 8 | 2,064 | - | 88,330 | 3 |
| 1150 | Notes receivable, net | 6(4) | 166,499 | 5 | 199,410 | 6 |
| 1170 | Accounts receivable, net | 6(4) and 12 | 637,975 | 20 | 423,672 | 13 |
| 1200 | Other receivables | | 2,935 | - | 4,615 | - |
| 130X | Inventories | 5(2) and 6(5) | 930,843 | 29 | 911,162 | 29 |
| 1410 | Prepayments | | 49,541 | 1 | 26,641 | 1 |
| 11XX | Total current assets | | <u>2,383,648</u> | <u>73</u> | <u>2,238,476</u> | <u>70</u> |
| Non-current assets | | | | | | |
| 1535 | Financial assets at amortised cost - non-current | 6(1)(3) | 17,409 | 1 | 66,545 | 2 |
| 1600 | Property, plant and equipment | 6(6) and 8 | 684,192 | 21 | 708,116 | 22 |
| 1755 | Right-of-use assets | 6(8) | 2,409 | - | 4,567 | - |
| 1760 | Investment property, net | 6(7)(9) and 8 | 137,093 | 4 | 138,407 | 5 |
| 1780 | Intangible assets | 6(10)(11) | 238 | - | 351 | - |
| 1840 | Deferred income tax assets | 6(25) | 14,456 | 1 | 15,124 | 1 |
| 1915 | Prepayments for equipment | 6(6) | 1,838 | - | 1,935 | - |
| 1920 | Guarantee deposits paid | | 9,165 | - | 2,004 | - |
| 1990 | Other non-current assets | | 8,383 | - | 7,610 | - |
| 15XX | Total non-current assets | | <u>875,183</u> | <u>27</u> | <u>944,659</u> | <u>30</u> |
| 1XXX | Total assets | | <u>\$ 3,258,831</u> | <u>100</u> | <u>\$ 3,183,135</u> | <u>100</u> |

(Continued)

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2022 | | December 31, 2021 | |
|--|---|-------------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(12) and 8 | \$ 290,000 | 9 | \$ 279,000 | 9 |
| 2130 | Contract liabilities - current | 6(17) | 56,841 | 2 | 42,978 | 1 |
| 2150 | Notes payable | 7 | 58,313 | 2 | 53,928 | 2 |
| 2170 | Accounts payable | | 35,518 | 1 | 62,910 | 2 |
| 2200 | Other payables | | 95,358 | 3 | 102,907 | 3 |
| 2220 | Other payables - related parties | 7 | 8,528 | - | 7,962 | - |
| 2230 | Current income tax liabilities | 6(25) | 85,543 | 2 | 83,773 | 3 |
| 21XX | Total current liabilities | | <u>630,101</u> | <u>19</u> | <u>633,458</u> | <u>20</u> |
| Non-current liabilities | | | | | | |
| 2570 | Deferred income tax liabilities | 6(25) | 70,696 | 2 | 84,778 | 3 |
| 2640 | Net defined benefit liabilities - non-current | 6(13) | 8,465 | 1 | 9,962 | - |
| 2645 | Guarantee deposits received | | 1,570 | - | 2,585 | - |
| 25XX | Total non-current liabilities | | <u>80,731</u> | <u>3</u> | <u>97,325</u> | <u>3</u> |
| 2XXX | Total liabilities | | <u>710,832</u> | <u>22</u> | <u>730,783</u> | <u>23</u> |
| Equity attributable to owners of parent | | | | | | |
| Share capital | | | | | | |
| 3110 | Common stock | 6(14) | 860,612 | 26 | 856,702 | 27 |
| 3200 | Capital surplus | 6(14)(15) | 210,106 | 7 | 196,666 | 6 |
| | Retained earnings | 6(16) | | | | |
| 3310 | Legal reserve | | 356,041 | 11 | 323,059 | 10 |
| 3320 | Special reserve | | 206,486 | 6 | 206,486 | 6 |
| 3350 | Unappropriated retained earnings | | 1,000,616 | 31 | 975,055 | 31 |
| 3400 | Other equity interest | | (85,862) | (3) | (105,616) | (3) |
| 3XXX | Total equity | | <u>2,547,999</u> | <u>78</u> | <u>2,452,352</u> | <u>77</u> |
| Significant Contingent Liabilities and Unrecognized Contract Commitments | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 3,258,831</u> | <u>100</u> | <u>\$ 3,183,135</u> | <u>100</u> |

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

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

| Items | Notes | Year ended December 31 | | | |
|---|--------------------------|------------------------|--------------|---------------------|--------------|
| | | 2022 | | 2021 | |
| | | AMOUNT | % | AMOUNT | % |
| 4000 Operating revenue | 6(17) and 7 | \$ 2,491,218 | 100 | \$ 2,088,965 | 100 |
| 5000 Operating costs | 6(5)(10)(13)(23)(24) | (1,883,395) | (75) | (1,545,559) | (74) |
| 5900 Operating margin | | <u>607,823</u> | <u>25</u> | <u>543,406</u> | <u>26</u> |
| Operating expenses | 6(10)(13)(23)(24) and 12 | | | | |
| 6100 Selling expenses | | (147,200) | (6) | (136,493) | (6) |
| 6200 General and administrative expenses | | (118,257) | (5) | (131,434) | (6) |
| 6300 Research and development expenses | | (35,743) | (1) | (34,697) | (2) |
| 6450 Expected credit loss | | (15,186) | (1) | (2,698) | - |
| 6000 Total operating expenses | | <u>(316,386)</u> | <u>(13)</u> | <u>(305,322)</u> | <u>(14)</u> |
| 6500 Other income and expense, net | 6(7)(9)(18) | <u>4,806</u> | - | <u>3,690</u> | - |
| 6900 Operating profit | | <u>296,243</u> | <u>12</u> | <u>241,774</u> | <u>12</u> |
| Non-operating income and expenses | | | | | |
| 7100 Interest income | 6(19) | 7,144 | - | 10,022 | 1 |
| 7010 Other income | 6(20) | 4,254 | - | 4,244 | - |
| 7020 Other gains and losses | 6(8)(10)(11)(21) and 12 | 91,961 | 4 | 218,555 | 10 |
| 7050 Finance costs | 6(22) | (3,003) | - | (2,625) | - |
| 7000 Total non-operating income and expenses | | <u>100,356</u> | <u>4</u> | <u>230,196</u> | <u>11</u> |
| 7900 Profit before income tax | | <u>396,599</u> | <u>16</u> | <u>471,970</u> | <u>23</u> |
| 7950 Income tax expense | 6(25) | (82,137) | (4) | (142,892) | (7) |
| 8200 Profit for the year | | <u>\$ 314,462</u> | <u>12</u> | <u>\$ 329,078</u> | <u>16</u> |
| Other comprehensive income | | | | | |
| Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | |
| 8311 Gains on remeasurements of defined benefit plan | 6(13) | \$ 1,365 | - | \$ 931 | - |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(25) | (273) | - | (186) | - |
| Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 Exchange differences on translation | | <u>19,754</u> | <u>1</u> | <u>(27,252)</u> | <u>(2)</u> |
| 8300 Other comprehensive income (loss) for the year | | <u>\$ 20,846</u> | <u>1</u> | <u>(\$ 26,507)</u> | <u>(2)</u> |
| 8500 Total comprehensive income for the year | | <u>\$ 335,308</u> | <u>13</u> | <u>\$ 302,571</u> | <u>14</u> |
| Profit attributable to: | | | | | |
| 8610 Owners of the parent | | <u>\$ 314,462</u> | <u>12</u> | <u>\$ 329,078</u> | <u>16</u> |
| Comprehensive income attributable to: | | | | | |
| 8710 Owners of the parent | | <u>\$ 335,308</u> | <u>13</u> | <u>\$ 302,571</u> | <u>14</u> |
| Earnings per share (in dollars) | 6(26) | | | | |
| 9750 Basic | | <u>\$</u> | <u>3.66</u> | <u>\$</u> | <u>3.85</u> |
| 9850 Diluted | | <u>\$</u> | <u>3.63</u> | <u>\$</u> | <u>3.82</u> |

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

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Equity attributable to owners of the parent | | | | | | Other Equity Interest | Total equity |
|---|---|------------------------------|-----------------|---------------|-----------------|----------------------------------|-----------------------|--------------|
| | Notes | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | |
| For the year ended December 31, 2021 | | | | | | | | |
| Balance at January 1, 2021 | | \$ 852,970 | \$ 188,943 | \$ 304,129 | \$ 206,486 | \$ 800,637 | (\$ 78,364) | \$ 2,274,801 |
| Profit for the year | | - | - | - | - | 329,078 | - | 329,078 |
| Other comprehensive income (loss) for the year | | - | - | - | - | 745 | (27,252) | (26,507) |
| Total comprehensive income (loss) | | - | - | - | - | 329,823 | (27,252) | 302,571 |
| Distribution of 2020 income: | | | | | | | | |
| Legal reserve | | - | - | 18,930 | - | (18,930) | - | - |
| Cash dividends | 6(16) | - | - | - | - | (136,475) | - | (136,475) |
| Employees' compensation transferred to common stock | 6(14)(27) | 3,732 | 7,723 | - | - | - | - | 11,455 |
| Balance at December 31, 2021 | | \$ 856,702 | \$ 196,666 | \$ 323,059 | \$ 206,486 | \$ 975,055 | (\$ 105,616) | \$ 2,452,352 |
| For the year ended December 31, 2022 | | | | | | | | |
| Balance at January 1, 2022 | | \$ 856,702 | \$ 196,666 | \$ 323,059 | \$ 206,486 | \$ 975,055 | (\$ 105,616) | \$ 2,452,352 |
| Profit for the year | | - | - | - | - | 314,462 | - | 314,462 |
| Other comprehensive income for the year | | - | - | - | - | 1,092 | 19,754 | 20,846 |
| Total comprehensive income | | - | - | - | - | 315,554 | 19,754 | 335,308 |
| Distribution of 2021 income: | | | | | | | | |
| Legal reserve | | - | - | 32,982 | - | (32,982) | - | - |
| Cash dividends | 6(16) | - | - | - | - | (257,011) | - | (257,011) |
| Employees' compensation transferred to common stock | 6(14)(27) | 3,910 | 13,411 | - | - | - | - | 17,321 |
| Executing the right of disgorgement | | - | 29 | - | - | - | - | 29 |
| Balance at December 31, 2022 | | \$ 860,612 | \$ 210,106 | \$ 356,041 | \$ 206,486 | \$ 1,000,616 | (\$ 85,862) | \$ 2,547,999 |

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

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the years ended December 31, | |
|--|---------------|----------------------------------|-------------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 396,599 | \$ 471,970 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit loss | 12 | 15,186 | 2,698 |
| (Reversal of allowance) provision for inventory market price decline | 6(5) | (78) | 2,944 |
| Gain on disposal of non-current assets for sale | 6(8)(21) | - | (265,114) |
| Depreciation | 6(6)(8)(9) | 55,727 | 53,989 |
| Loss on disposal of property, plant and equipment | 6(21) | 166 | 6,193 |
| Impairment loss on non-financial assets | 6(10)(11)(21) | - | 11,487 |
| Amortisation | 6(10)(23) | 113 | 116 |
| Interest income | 6(19) | (7,144) | (10,022) |
| Interest expense | 6(22) | 3,003 | 2,625 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 32,911 | (23,428) |
| Accounts receivable | | (230,060) | (231,352) |
| Other receivables | | 2,211 | 1,004 |
| Inventories | | (19,612) | (78,005) |
| Prepayments | | (22,900) | 3,662 |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | 13,863 | 16,175 |
| Notes payable | | 3,930 | 23,373 |
| Accounts payable | | (27,392) | 32,432 |
| Other payables | | 10,229 | 23,110 |
| Receipts in advance | | - | (2,915) |
| Net defined benefit liabilities - non-current | | (132) | (1,130) |
| Cash inflow generated from operations | | 226,620 | 39,812 |
| Interest received | | 6,613 | 9,676 |
| Interest paid | | (2,914) | (2,555) |
| Income tax paid | | (94,202) | (133,690) |
| Net cash flows from (used in) operating activities | | <u>136,117</u> | <u>(86,757)</u> |

(Continued)

HUIKWANG CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the years ended December 31, | |
|--|-----------|----------------------------------|-------------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease (increase) in financial assets at fair value through profit or loss - current | | \$ 35,612 | (\$ 35,612) |
| Decrease (increase) in financial assets at amortised cost - current | | 86,266 | (88,330) |
| Cash proceeds from disposal of non-current assets for sale | 6(27) | - | 144,343 |
| Decrease (increase) in financial assets at amortised cost - non-current | | 49,136 | (66,545) |
| Cash paid for acquisition of property, plant and equipment | 6(27) | (7,554) | (13,749) |
| Proceeds from disposal of property, plant and equipment | | - | 199 |
| Acquisition of intangible assets | 6(10) | - | (158) |
| Increase in prepayments for equipment | | (8,675) | (3,339) |
| Interest paid for prepayment for equipment | 6(6)(22) | (8) | (7) |
| Increase in guarantee deposits paid | | (7,161) | (45) |
| (Increase) decrease in other non-current assets | | (773) | 1,882 |
| Net cash flows from (used in) investing activities | | <u>146,843</u> | <u>(61,361)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | 6(28) | 110,000 | 369,000 |
| Decrease in short-term borrowings | 6(28) | (99,000) | (320,000) |
| Decrease in short-term notes and bills payable | 6(28) | - | (190,000) |
| (Decrease) increase in guarantee deposits received | 6(28) | (1,023) | 1,191 |
| Payment of cash dividends | 6(16)(27) | (257,011) | (136,475) |
| Proceeds from disgorgement | | 29 | - |
| Net cash flows used in financing activities | | <u>(247,005)</u> | <u>(276,284)</u> |
| Effect of foreign exchange rate changes | | 8,802 | (9,683) |
| Net increase (decrease) in cash and cash equivalents | | 44,757 | (434,085) |
| Cash and cash equivalents at beginning of year | 6(1) | 549,034 | 983,119 |
| Cash and cash equivalents at end of year | 6(1) | <u>\$ 593,791</u> | <u>\$ 549,034</u> |

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

HUIKWANG CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Huikwang Corporation. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 27, 1965. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, processing, packing and trading of various pesticides, fertilizers and public health pesticide, manufacture of plastic sheets, fabrics, pipes and tubes, manufacture of the plastic films and bags, manufacture of the industrial plastic products, and the import and export of the aforementioned products.

(2) The common shares of the Company have been listed on the Taipei Exchange since March 2004.

2. The Date of Authorisation for Issuance of the Consolidated Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 27, 2023.

3. Application of New Standards, Amendments and Interpretations

(一) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”).

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board (“IASB”) |
|---|---|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’ | January 1, 2022 |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022 |
| Amendments to IAS 37, ‘Onerous contracts — cost of fulfilling a contract’ | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(二) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by IASB</u> |
|--|-------------------------------|
| Amendments to IAS 1, ‘Disclosure of accounting policies’ | January 1, 2023 |
| Amendments to IAS 8, ‘Definition of accounting estimates’ | January 1, 2023 |
| Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023 |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(三) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by IASB</u> |
|---|-------------------------------|
| 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, ‘Lease liability in a sale and leaseback’ | January 1, 2024 |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – 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 |

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(一) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”)

(二) Basis of preparation

- A. Except for the financial assets at fair value through profit or loss and defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgements, estimates and key sources of assumption uncertainty'.

(三) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

| Name of investors | Name of subsidiaries | Main business activities | Percentage owned by the Group (%) | | Note |
|-----------------------------------|---|---|-----------------------------------|-------------------|----------|
| | | | December 31, 2022 | December 31, 2021 | |
| Huikwang Corporation | HUI KWANG INTERNATIONAL CO., LTD. | General investment | 100.00 | 100.00 | — |
| Huikwang Corporation | HUI KWANG (THILAND) CO.,LTD. | Chemicals, pesticides, fertilizer, plant growth enhancers and other import and export trade | 100.00 | 100.00 | — |
| Huikwang Corporation | HKC AGROSCIENCE SDN. BHD. | Import and export trade and marketing of pesticide products | 100.00 | 100.00 | — |
| Huikwang Corporation | Tellus, Inc. | General investment | 100.00 | 100.00 | — |
| HUI KWANG INTERNATIONAL CO., LTD. | HKC (Shanghai)., Ltd. | Manufacturing of micronutrient fertilizer and organic fertilizer, glyphosate, methomyl, and other new coating materials, geosynthetics, | 100.00 | 100.00 | — |
| HUI KWANG INTERNATIONAL CO., LTD. | Zhejiang Huikwang Biochemical Co., Ltd. | Manufacturing and sales of pesticides, veterinary drugs, edible fungus and feed additives | — | — | (Note 1) |
| HKC (Shanghai)., Ltd. | Zhejiang Huikwang Biochemical Co., Ltd. | Manufacturing and sales of pesticides, veterinary drugs, edible fungus and feed additives | — | — | (Note 1) |
| HKC (Shanghai)., Ltd. | Zhejiang Huikwang Biochemical Co., Ltd. | Wholesale and retail of primary agricultural products, import and export business, etc. | — | — | (Note 2) |
| Tellus, Inc. | HUITEX Limited | Manufacturing of geosynthetics, etc. | 100.00 | 100.00 | — |

Note 1: Zhejiang Huikwang Biochemical Co., Ltd. completed the process of the deregistration and liquidation in the 3rd quarter 2021.

Note 2: Zhejiang Ceres Fine Co., Ltd. completed the process of the deregistration and liquidation in the 4th quarter 2021.

- C. Subsidiaries not included in the consolidated financial statements: None.
- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Significant restrictions: None.
- F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(四) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'Other gains and losses'.

B. Translation of foreign operations

- (a) The financial performance and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange

differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in foreign operation.

(五) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(六) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits and repurchase agreement that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Group recognises the dividend income when the right to receive payment is established,

future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(八) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. The Group's restricted deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(九) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(十) Inventories

Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within the credit balance and is recognised as deduction of operating costs.

(十一) Impairment of financial assets

For accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(十二) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(十三) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item

will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each fiscal year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| <u>Asset</u> | <u>Useful lives</u> | | |
|--------------------------|---------------------|---|----------|
| Land improvements | | | 7 years |
| Buildings | 2 | ~ | 60 years |
| Machinery | 2 | ~ | 20 years |
| Utility equipment | 3 | ~ | 23 years |
| Transportation equipment | 3 | ~ | 16 years |
| Testing equipment | 2 | ~ | 16 years |
| Other equipment | 2 | ~ | 20 years |

(十四) Leasing arrangements (lessee)—right-of-use assets

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liabilities; and
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

- C. For lease modifications that decrease the scope of the lease, the lessee shall decrease the

carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(十五) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 13~20 years.

(十六) Leasing arrangements (lessor)— operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(十七) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. The impairment of goodwill are tested annually and reported at cost less accumulated impairment. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

(十八) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(十九) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the lifetime using the effective interest method.

(二十) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(二十一) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(二十二) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when employees render service.

B. Pensions

(a) Defined contribution plans

For the defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability,

provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(二十三) Income taxes

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(二十四) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(二十五) Dividends

Cash dividends are recorded as liabilities in the Company financial statements in the period in which they are approved by the Company Board of Directors; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance in the period in which they are approved by the Company shareholders.

(二十六) Revenue recognition

A. Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales revenue is recognised based on the contract price, net of the estimated output tax, sales returns and sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales returns and sales discounts and allowances, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. With respect to credit terms for sales, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(二十七) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical

judgements in applying the Group’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. The related information is addressed below:

(一) Critical judgements in applying the Group’s accounting policies

None.

(二) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal consumption, obsolete or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories involves management’s subjective judgements and uncertainty. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2022, the carrying amount of inventories was \$930,843.

6. Details of Significant Accounts

(一) Cash and cash equivalents

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash: | | |
| Cash on hand | \$ 243 | \$ 220 |
| Checking accounts and demand deposits | <u>189,100</u> | <u>333,853</u> |
| | <u>189,343</u> | <u>334,073</u> |
| Cash equivalents: | | |
| Time deposits | 373,788 | 145,886 |
| Repurchase agreement | <u>30,660</u> | <u>69,075</u> |
| | <u>404,448</u> | <u>214,961</u> |
| | <u>\$ 593,791</u> | <u>\$ 549,034</u> |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2021, the Group’s time deposits maturing between three months and one year were reclassified as ‘Financial assets at amortised cost - current’ in the amount of \$86,860. There was no such situation as of December 31, 2022.

C. As of December 31, 2021, the Group’s time deposits maturing over one year were reclassified as ‘Financial assets at amortised cost - non-current’ in the amount of \$43,429. There was no such situation as of December 31, 2022.

D. As of December 31, 2022 and 2021, the Group has restricted bank deposits due to the application of “Repatriated Offshore Funds Act” in the amount of \$17,409 and \$23,116, respectively, which

were shown as 'Financial assets at amortised cost - non-current'.

E. As of December 31, 2022 and 2021, the Group's cash and cash equivalents were pledged to others as collateral (shown as 'Financial assets at amortised cost - current'). Details are provided in Note 8, 'Pledged assets'.

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

| | <u>December 31, 2021</u> |
|--|--------------------------|
| Current items: | |
| Financial assets mandatorily measured at fair value through profit or loss | |
| Structured notes | \$ <u>35,612</u> |

There was no such situation as of December 31, 2022.

A. The Group has no financial assets at fair value through profit or loss pledged to others as of December 31, 2021.

B. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), 'Financial instruments'.

(三) Financial assets at amortised cost

| <u>Items</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Current items: | | |
| Time deposits with a maturity over three months | \$ - | \$ 86,860 |
| Pledged demand deposits | <u>2,064</u> | <u>1,470</u> |
| | <u>\$ 2,064</u> | <u>\$ 88,330</u> |
| Non-current items: | | |
| Time deposits with a maturity of over one year | \$ - | \$ 43,429 |
| Restricted bank deposits | <u>17,409</u> | <u>23,116</u> |
| | <u>\$ 17,409</u> | <u>\$ 66,545</u> |

A. As of December 31, 2022 and 2021, the Group's financial assets at amortised cost were pledged to others as collateral. Details are provided in Note 8, 'Pledged assets'.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'.

(四) Notes and accounts receivable, net

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Notes receivable | \$ <u>166,499</u> | \$ <u>199,410</u> |
| Accounts receivable | \$ 678,793 | \$ 448,733 |
| Less: Allowance for uncollectible accounts | (<u>40,818</u>) | (<u>25,061</u>) |
| | <u>\$ 637,975</u> | <u>\$ 423,672</u> |

A. The ageing analysis of notes and accounts receivable is as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------|--------------------------|--------------------------|
| Notes receivable | | |
| Not past due | \$ 166,499 | \$ 199,410 |
| Accounts receivable | | |
| Not past due | \$ 624,078 | \$ 407,057 |
| Up to 90 days | 12,332 | 11,053 |
| 91 to 180 days | 7,612 | 5,606 |
| Over 180 days | 34,771 | 25,017 |
| | <u>\$ 678,793</u> | <u>\$ 448,733</u> |

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers amounted to \$393,363.

C. As of December 31, 2022 and 2021, the Group had no notes and accounts receivable pledged to others.

D. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial Instruments'.

(五) Inventories

| | <u>December 31, 2022</u> | | |
|--------------------------|--------------------------|---|-------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Merchandise | \$ 47,028 | (\$ 248) | \$ 46,780 |
| Raw materials | 327,258 | (8,492) | 318,766 |
| Raw materials in transit | 55,807 | - | 55,807 |
| Supplies | 36,665 | (1,648) | 35,017 |
| Supplies in transit | 889 | - | 889 |
| Work in progress | 8,196 | - | 8,196 |
| Finished goods | 484,650 | (19,262) | 465,388 |
| | <u>\$ 960,493</u> | <u>(\$ 29,650)</u> | <u>\$ 930,843</u> |
| | <u>December 31, 2021</u> | | |
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Merchandise | \$ 33,053 | (\$ 125) | \$ 32,928 |
| Raw materials | 318,457 | (10,946) | 307,511 |
| Raw materials in transit | 100,250 | - | 100,250 |
| Supplies | 33,446 | (996) | 32,450 |
| Work in progress | 13,067 | - | 13,067 |
| Finished goods | 442,608 | (17,652) | 424,956 |
| | <u>\$ 940,881</u> | <u>(\$ 29,719)</u> | <u>\$ 911,162</u> |

The cost of inventories recognised as expense for the year:

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 2022 | 2021 |
| Cost of goods sold | \$ 1,880,461 | \$ 1,541,877 |
| (Reversal of allowance) provision for inventory market price decline (Note) | (78) | 2,944 |
| Loss on scrapped inventories | 2,927 | 740 |
| Loss (gain) on physical inventory | 85 | (2) |
| | <u>\$ 1,883,395</u> | <u>\$ 1,545,559</u> |

(Note) For the year ended December 31, 2022, the Group reversed a previous inventory write-down as a result of subsequent sales and scraps of inventories which were previously provided with allowance.

(六) Property, plant and equipment

| | <u>Land</u> | <u>Land improvements</u> | <u>Buildings</u> | <u>Machinery</u> | <u>Utility equipment</u> | <u>Transportation equipment</u> | <u>Testing equipment</u> | <u>Other equipment</u> | <u>Total</u> |
|---|-------------------|--------------------------|-------------------|-------------------|--------------------------|---------------------------------|--------------------------|------------------------|-------------------|
| <u>January 1, 2022</u> | | | | | | | | | |
| Cost | \$ 208,776 | \$ 1,491 | \$ 497,184 | \$ 765,785 | \$ 53,997 | \$ 47,688 | \$ 37,515 | \$ 77,504 | \$ 1,689,940 |
| Accumulated depreciation | - | (1,240) | (256,312) | (569,001) | (46,685) | (38,024) | (30,313) | (40,249) | (981,824) |
| | <u>\$ 208,776</u> | <u>\$ 251</u> | <u>\$ 240,872</u> | <u>\$ 196,784</u> | <u>\$ 7,312</u> | <u>\$ 9,664</u> | <u>\$ 7,202</u> | <u>\$ 37,255</u> | <u>\$ 708,116</u> |
| <u>For the year ended December 31, 2022</u> | | | | | | | | | |
| At January 1 | \$ 208,776 | \$ 251 | \$ 240,872 | \$ 196,784 | \$ 7,312 | \$ 9,664 | \$ 7,202 | \$ 37,255 | \$ 708,116 |
| Additions | - | - | 1,538 | 3,439 | 721 | 465 | - | 1,300 | 7,463 |
| Transferred from prepayments for equipment | - | - | 1,519 | 6,904 | 377 | - | - | 40 | 8,840 |
| Depreciation | - | (126) | (15,474) | (28,275) | (780) | (2,134) | (1,030) | (4,356) | (52,175) |
| Disposals-cost | - | - | - | (354) | (276) | - | - | (924) | (1,554) |
| -accumulated depreciation | - | - | - | 307 | 249 | - | - | 832 | 1,388 |
| Net exchange differences | 2,626 | - | 5,332 | 3,473 | 299 | 186 | - | 198 | 12,114 |
| At December 31 | <u>\$ 211,402</u> | <u>\$ 125</u> | <u>\$ 233,787</u> | <u>\$ 182,278</u> | <u>\$ 7,902</u> | <u>\$ 8,181</u> | <u>\$ 6,172</u> | <u>\$ 34,345</u> | <u>\$ 684,192</u> |
| <u>December 31, 2022</u> | | | | | | | | | |
| Cost | \$ 211,402 | \$ 1,491 | \$ 507,760 | \$ 780,578 | \$ 55,153 | \$ 48,516 | \$ 37,515 | \$ 78,389 | \$ 1,720,804 |
| Accumulated depreciation | - | (1,366) | (273,973) | (598,300) | (47,251) | (40,335) | (31,343) | (44,044) | (1,036,612) |
| | <u>\$ 211,402</u> | <u>\$ 125</u> | <u>\$ 233,787</u> | <u>\$ 182,278</u> | <u>\$ 7,902</u> | <u>\$ 8,181</u> | <u>\$ 6,172</u> | <u>\$ 34,345</u> | <u>\$ 684,192</u> |

| | Land | Land improvements | Buildings | Machinery | Utility equipment | Transportation equipment | Testing equipment | Other equipment | Construction in progress and equipment to be inspected | Total |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------------|-------------------|------------------|--|-------------------|
| <u>January 1, 2021</u> | | | | | | | | | | |
| Cost | \$ 214,280 | \$ 1,491 | \$ 429,206 | \$ 728,787 | \$ 49,476 | \$ 50,002 | \$ 37,515 | \$ 75,393 | \$ 87,812 | \$ 1,673,962 |
| Accumulated depreciation | - | (1,054) | (245,801) | (555,922) | (46,268) | (38,823) | (29,245) | (39,051) | - | (956,164) |
| | <u>\$ 214,280</u> | <u>\$ 437</u> | <u>\$ 183,405</u> | <u>\$ 172,865</u> | <u>\$ 3,208</u> | <u>\$ 11,179</u> | <u>\$ 8,270</u> | <u>\$ 36,342</u> | <u>\$ 87,812</u> | <u>\$ 717,798</u> |
| <u>For the year ended December 31, 2021</u> | | | | | | | | | | |
| At January 1 | \$ 214,280 | \$ 437 | \$ 183,405 | \$ 172,865 | \$ 3,208 | \$ 11,179 | \$ 8,270 | \$ 36,342 | \$ 87,812 | \$ 717,798 |
| Additions | - | - | 1,852 | 5,776 | 92 | 510 | - | 3,797 | 1,884 | 13,911 |
| Transfer from prepayments for equipment | - | - | 69,924 | 51,248 | 4,451 | 675 | - | 2,382 | (77,684) | 50,996 |
| Depreciation | - | (186) | (14,490) | (27,892) | (485) | (2,234) | (1,068) | (4,122) | - | (50,477) |
| Disposals-cost | - | - | (2,138) | (19,422) | (62) | (2,899) | - | (3,690) | - | (28,211) |
| -accumulated depreciation | - | - | 2,138 | 14,286 | 55 | 2,771 | - | 2,569 | - | 21,819 |
| Net exchange differences | (5,504) | - | 181 | (77) | 53 | (338) | - | (23) | (12,012) | (17,720) |
| At December 31 | <u>\$ 208,776</u> | <u>\$ 251</u> | <u>\$ 240,872</u> | <u>\$ 196,784</u> | <u>\$ 7,312</u> | <u>\$ 9,664</u> | <u>\$ 7,202</u> | <u>\$ 37,255</u> | <u>\$ -</u> | <u>\$ 708,116</u> |
| <u>December 31, 2021</u> | | | | | | | | | | |
| Cost | \$ 208,776 | \$ 1,491 | \$ 497,184 | \$ 765,785 | \$ 53,997 | \$ 47,688 | \$ 37,515 | \$ 77,504 | \$ - | \$ 1,689,940 |
| Accumulated depreciation | - | (1,240) | (256,312) | (569,001) | (46,685) | (38,024) | (30,313) | (40,249) | - | (981,824) |
| | <u>\$ 208,776</u> | <u>\$ 251</u> | <u>\$ 240,872</u> | <u>\$ 196,784</u> | <u>\$ 7,312</u> | <u>\$ 9,664</u> | <u>\$ 7,202</u> | <u>\$ 37,255</u> | <u>\$ -</u> | <u>\$ 708,116</u> |

A. As of December 31, 2022 and 2021, the Group's property, plant and equipment are all for own use.

B. Amount of borrowing costs capitalised and the range of the interest rates for such capitalisation are as follows:

| | For the years ended December 31, | |
|----------------------|----------------------------------|---------------|
| | 2022 | 2021 |
| Amount capitalised | \$ 8 | \$ 7 |
| Interest rates range | 0.67% ~ 1.34% | 0.65% ~ 0.79% |

C. For more information regarding the Group's property, plant and equipment pledged to others as of December 31, 2022 and 2021, refer to Note 8, 'Pledge assets'.

(七) Leasing arrangements – lessor

A. The Group leases various assets including land and buildings (shown as 'Investment property'). Rental contracts are typically made for periods of 6 and 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2022 and 2021, the Group recognised rent income in the amounts of \$6,120 and \$5,005, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2022 | December 31, 2021 |
|---------------|-------------------|-------------------|
| Within 1 year | \$ 6,171 | \$ 6,114 |
| 1 ~ 2 years | 5,314 | 6,171 |
| 2 ~ 3 years | 4,457 | 5,314 |
| 3 ~ 4 years | 4,457 | 4,457 |
| 4 ~ 5 years | 4,457 | 4,457 |
| Over 5 years | 37,886 | 42,343 |
| Total | \$ 62,742 | \$ 68,856 |

(八) Leasing arrangements – lessee

A. The Group leases land from the Shanghai Bureau of Land and Resources. The period of use starts from the date of the land use permit and the rent has been fully paid at the time of signing the lease agreement.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

| | December 31, 2022 | December 31, 2021 |
|------|-------------------|-------------------|
| | Carrying amount | Carrying amount |
| Land | \$ 2,409 | \$ 4,567 |

| | <u>For the years ended December 31,</u> | |
|------|---|----------------------------|
| | <u>2022</u> | <u>2021</u> |
| | <u>Depreciation charge</u> | <u>Depreciation charge</u> |
| Land | <u>\$ 2,238</u> | <u>\$ 2,197</u> |

C. On September 2, 2020, the Board of Directors of the subsidiary, Zhejiang Huikwang Biochemical Co., Ltd., resolved to dispose its right-of-use asset, plants and other assets since it was expropriated by the local government. On September 24, 2020, the subsidiary signed an expropriation and compensation agreement and transferred the relevant assets to disposal group held for sale. In April 2021, the transfer of the aforementioned non-current assets held for sale has been completed. The contract price of \$288,686 has been collected and the gain on disposal of non-current assets held for sale amounting to \$265,114 (shown as ‘Other gains and losses’) was recognised.

(九) Investment property, net

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| <u>At January 1, 2022</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (19,759) | (19,759) |
| | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |
| <u>For the year ended December 31, 2022</u> | | | |
| At January 1 | \$ 133,588 | \$ 4,819 | \$ 138,407 |
| Depreciation | - | (1,314) | (1,314) |
| At December 31 | <u>\$ 133,588</u> | <u>\$ 3,505</u> | <u>\$ 137,093</u> |
| <u>At December 31, 2022</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (21,073) | (21,073) |
| | <u>\$ 133,588</u> | <u>\$ 3,505</u> | <u>\$ 137,093</u> |
| | | | |
| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
| <u>At January 1, 2021</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (18,444) | (18,444) |
| | <u>\$ 133,588</u> | <u>\$ 6,134</u> | <u>\$ 139,722</u> |
| <u>For the year ended December 31, 2021</u> | | | |
| At January 1 | \$ 133,588 | \$ 6,134 | \$ 139,722 |
| Depreciation | - | (1,315) | (1,315) |
| At December 31 | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |
| <u>At December 31, 2021</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (19,759) | (19,759) |
| | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Rental income from investment property (shown as 'Other income (expenses)') | \$ <u>6,120</u> | \$ <u>5,005</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year (shown as 'Other income (expenses)') | \$ <u>1,314</u> | \$ <u>1,315</u> |

B. The fair value of the investment property held by the Group as of December 31, 2022 and 2021 were \$360,344 and \$320,492, respectively, which was valued based on quoted prices in the neighbouring area by real estate agents or actual price registration information, which were categorised within Level 3 in the fair value hierarchy.

C. For more information regarding the investment property pledged to others as of December 31, 2022 and 2021, refer to Note 8, 'Pledge assets'.

(+) Intangible assets

| | <u>Computer Software</u> |
|---|--------------------------|
| <u>At January 1, 2022</u> | |
| Cost | \$ 5,898 |
| Accumulated amortisation | (<u>5,547</u>) |
| | <u>\$ 351</u> |
| <u>For the year ended December 31, 2022</u> | |
| At January 1 | \$ 351 |
| Amortisation | (<u>113</u>) |
| At December 31 | <u>\$ 238</u> |
| <u>At December 31, 2022</u> | |
| Cost | \$ 5,898 |
| Accumulated amortisation | (<u>5,660</u>) |
| | <u>\$ 238</u> |

| | <u>Software</u> | <u>Goodwill</u> | <u>Total</u> |
|---------------------------|-----------------|------------------|------------------|
| <u>At January 1, 2021</u> | | | |
| Cost | \$ 5,740 | \$ 12,691 | \$ 18,431 |
| Accumulated amortisation | (5,431) | - | (5,431) |
| Net exchange differences | - | (1,168) | (1,168) |
| | <u>\$ 309</u> | <u>\$ 11,523</u> | <u>\$ 11,832</u> |

For the year ended December 31, 2022

| | | | |
|--------------------------|---------------|-------------|---------------|
| At January 1 | \$ 309 | \$ 11,523 | \$ 11,832 |
| Additions | 158 | - | 158 |
| Impairment loss | - | (11,487) | (11,487) |
| Amortisation | (116) | - | (116) |
| Net exchange differences | - | (36) | (36) |
| At December 31 | <u>\$ 351</u> | <u>\$ -</u> | <u>\$ 351</u> |

At December 31, 2021

| | | | |
|--------------------------|---------------|-------------|---------------|
| Cost | \$ 5,898 | \$ 12,691 | \$ 18,589 |
| Accumulated amortisation | (5,547) | - | (5,547) |
| Accumulated impairment | - | (11,487) | (11,487) |
| Net exchange differences | - | (1,204) | (1,204) |
| | <u>\$ 351</u> | <u>\$ -</u> | <u>\$ 351</u> |

A. There was no interest capitalised as part of intangible assets for the years ended December 31, 2022 and 2021.

B. Details of amortisation on intangible assets were as follows:

| | <u>For the years ended December 31,</u> | |
|-------------------------|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Manufacturing overhead | \$ 8 | \$ 32 |
| Administrative expenses | 105 | 84 |
| | <u>\$ 113</u> | <u>\$ 116</u> |

C. The Group's goodwill was tested annually for impairment. The recoverable amount was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management. The main assumptions used in calculating value-in-use discount rate were calculated based on the weighted average cost of capital and have reflected the specific risks of the relevant operating segments. For the year ended December 31, 2021, the Group considered the current situation and future development direction of the cash-generating unit of goodwill and performed impairment assessment based on the recoverable amount calculated using the value-in-use. As the recoverable amount was lower than its carrying amount, the Group recognised impairment loss amounting to \$11,487 (shown as 'Other gains and losses') for the year ended December

31, 2021. There was no such situation for the year ended December 31, 2022.

(十一) Impairment of non-financial assets

A. The impairment loss recognized by the Group for the year ended December 31, 2021 was \$11,487 (shown as ‘Other gains and losses’) and the details are as follows:

| | <u>For the year ended December 31, 2021</u> | |
|----------------------------|---|---|
| | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> |
| Impairment loss – goodwill | \$ 11,487 | \$ - |

There was no such situation for the year ended December 31, 2022.

B. The details of the impairment losses by segment are as follows:

| | <u>For the year ended December 31, 2021</u> | |
|-----------------|---|---|
| | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> |
| Agro Technology | \$ 11,487 | \$ - |

There was no such situation for the year ended December 31, 2022.

C. The Group’s goodwill is tested annually for impairment. The recoverable amount of all cash-generating units calculated using the fair value lower their carrying amount to recognise impairment loss. The assumptions used for value-in-use calculations are described in Note 6(10), ‘Intangible assets’.

(十二) Short-term borrowings

| <u>Type of borrowings</u> | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured bank borrowings | \$ 290,000 | 1.16% ~ 1.42% | None |
| <u>Type of borrowings</u> | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
| Unsecured bank borrowings | \$ 279,000 | 0.64% ~ 0.82% | None |

For more information on interest expense recognised in profit or loss by the Group for the years ended December 31, 2022 and 2021, refer to Note 6(22), ‘Finance costs’.

(十三) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 28,869 | \$ 31,081 |
| Fair value of plan assets | (20,404) | (21,119) |
| Net defined benefit liability | <u>\$ 8,465</u> | <u>\$ 9,962</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | <u>For the year ended December 31, 2022</u> | | |
|---------------------------------|---|--------------------------------------|--|
| | <u>Present value of defined benefit obligations</u> | <u>Fair value of plan assets</u> | <u>Net defined benefit liability</u> |
| At January 1 | \$ 31,081 | (\$ 21,119) | \$ 9,962 |
| Interest expense (income) | 218 | (149) | 69 |
| | <u>31,299</u> | <u>(21,268)</u> | <u>10,031</u> |
| Remeasurements: | | | |
| Return on plan assets | - | (1,835) | (1,835) |
| Change in financial assumptions | (771) | - | (771) |
| Experience adjustments | 1,241 | - | 1,241 |
| | <u>470</u> | <u>(1,835)</u> | <u>(1,365)</u> |
| Pension fund contribution | - | (201) | (201) |
| Paid pension | (2,900) | 2,900 | - |
| | <u>(2,900)</u> | <u>2,699</u> | <u>(201)</u> |
| At December 31 | <u>\$ 28,869</u> | <u>(\$ 20,404)</u> | <u>\$ 8,465</u> |

| | For the year ended December 31, 2021 | | |
|-----------------------------------|--|------------------------------|----------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| At January 1 | \$ 37,901 | (\$ 25,878) | \$ 12,023 |
| Current service cost | 33 | - | 33 |
| Interest expense (income) | 114 | (78) | 36 |
| | <u>38,048</u> | <u>(25,956)</u> | <u>12,092</u> |
| Remeasurements: | | | |
| Return on plan assets | - | (360) | (360) |
| Change in demographic assumptions | 20 | - | 20 |
| Change in financial assumptions | (820) | - | (820) |
| Experience adjustments | 229 | - | 229 |
| | <u>(571)</u> | <u>(360)</u> | <u>(931)</u> |
| Pension fund contribution | - | (1,199) | (1,199) |
| Paid pension | (6,396) | 6,396 | - |
| | <u>(6,396)</u> | <u>5,197</u> | <u>(1,199)</u> |
| At December 31 | <u>\$ 31,081</u> | <u>(\$ 21,119)</u> | <u>\$ 9,962</u> |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | <u>For the years ended December 31,</u> | |
|-----------------------------|---|--------------|
| | <u>2022</u> | <u>2021</u> |
| Discount rate | <u>1.20%</u> | <u>0.70%</u> |
| Future salary increase rate | <u>3.25%</u> | <u>3.25%</u> |

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | <u>Discount rate</u> | | <u>Future salary increase rate</u> | |
|---|-----------------------|-----------------------|------------------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| <u>December 31, 2022</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>371</u>) | <u>\$ 381</u> | <u>\$ 318</u> | (\$ <u>312</u>) |
| <u>December 31, 2021</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>482</u>) | <u>\$ 496</u> | <u>\$ 420</u> | (\$ <u>411</u>) |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$135.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

| | |
|---------------|------------------|
| Within 1 year | \$ 8,787 |
| 2 - 5 years | 7,839 |
| Over 5 years | <u>8,595</u> |
| | <u>\$ 25,221</u> |

- B (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Certain overseas subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on 20% of employees’ monthly salaries and wages. The calculation of the total monthly average salary is carried out in accordance with the relevant regulations of the Department of Labor. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations are based on the employee’s monthly salaries and wages. Other than monthly contributions, the Group has no further obligations.
- (c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$10,971 and \$10,091, respectively.

(十四) Share capital

- A. Movements in the number of the Company’s ordinary shares outstanding are as follows (unit: shares in thousands):

| | <u>For the years ended December 31,</u> | |
|---|---|----------------------|
| | <u>2022</u> | <u>2021</u> |
| Beginning number of shares | 85,670 | 85,297 |
| Employees’ compensation transferred to common stock | <u>391</u> | <u>373</u> |
| Ending number of shares | <u><u>86,061</u></u> | <u><u>85,670</u></u> |

- B. On March 29, 2022, the Company’s Board of Directors resolved to increase its capital by issuing new shares through transferring employees’ compensation payable amounting to \$17,321. After obtaining the approval from the Securities and Futures Bureau of Financial Supervisory Commission, the effective date of the capital increase was set on June 30, 2022. A total of 391 thousand new shares were issued through the employees’ shares compensation amounting to \$17,321 based on the closing price at the previous day of the board meeting and after taking into account the effects of ex-rights and ex-dividends. The new shares were expected to be transferred to share capital at par value on the effective date of the capital increase and the premiums that exceed par value were transferred to ‘Capital surplus, additional paid-in capital arising from ordinary share’.
- C. On March 25, 2021, the Company’s Board of Directors resolved to increase its capital by issuing new shares through transferring employees’ compensation payable amounting to \$11,455. After obtaining the approval from the Securities and Futures Bureau of Financial Supervisory Commission, the effective date of the capital increase was set on June 18, 2021. A

total of 373 thousand new shares were issued through the employees' shares compensation amounting to \$11,455 based on the closing price at the previous day of the board meeting and after taking into account the effects of ex-rights and ex-dividends. The new shares were expected to be transferred to share capital at the par value on the effective date of the capital increase and the premiums that exceed the par value were transferred to 'Capital surplus, additional paid-in capital arising from ordinary share'.

D. As of December 31, 2022, the Company's authorised capital was \$1,000,000 and the paid-in capital was \$860,612, consisting of 86,061 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(十 五) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(十 六) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reverse in accordance with the related laws or the regulations made by the regulatory authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders during their meeting. The Company's Board of Directors shall distribute all or part of the distributable dividends and bonuses in cash through a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors and reported it to the shareholders' meeting. The aforementioned regulation does not require approval from the shareholders. The Company's policy on dividend distribution shall be based on current and future development plans, investment environment, capital needs and domestic and foreign competition, taking into consideration shareholders' benefits, balanced dividends and the Company's long-term financial plan. The distribution shall be proposed by the Board of Directors and reported to the shareholders every year. At least 10% of the accumulated distributable earnings shall be

appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed. However, the Board of Directors shall adjust the ratios based on current operating status and shall be resolved by the shareholders during their meeting.

- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$206,486 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Corporate Letter No.1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Group recognised cash dividends distributed to owners amounting to \$257,011 (\$3 (in dollars) per share) and \$136,475 (\$1.6 (in dollars) per share) for the years ended December 31, 2022 and 2021, respectively. On March 27, 2023, the Board of Directors resolved the distribution of cash dividends from 2022 earnings in the amount of \$232,365 (\$2.7 (in dollars) per share).

(十七) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the major product lines. For more information, refer to Note 14(3), 'Segment information'.

B. Contract liabilities

- (a) The Group has recognised the revenue-related contract liabilities amounting to \$56,841, \$42,978 and \$26,803 as of December 31, 2022, December 31, 2021 and January 1, 2021, respectively.
- (b) Revenue recognised that was included in the contract liabilities at the beginning of the year were \$41,886 and \$25,061 for the years ended December 31, 2022 and 2021, respectively.

(十八) Other income (expenses)

| | For the years ended December 31, | |
|----------------|----------------------------------|-----------------|
| | 2022 | 2021 |
| Other income | | |
| Rent income | \$ 6,120 | \$ 5,005 |
| Other expenses | | |
| Depreciation | (1,314) | (1,315) |
| | <u>\$ 4,806</u> | <u>\$ 3,690</u> |

(十九) Interest income

| | For the years ended December 31, | |
|---------------|----------------------------------|------------------|
| | 2022 | 2021 |
| Bank deposits | \$ 7,134 | \$ 9,272 |
| Others | 10 | 750 |
| | <u>\$ 7,144</u> | <u>\$ 10,022</u> |

(二十) Other income

| | For the years ended December 31, | |
|--------------|----------------------------------|----------|
| | 2022 | 2021 |
| Other income | \$ 4,254 | \$ 4,244 |

(二十一) Other gains and losses

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2022 | 2021 |
| Net loss on disposal of property, plant and equipment | (\$ 166) | (\$ 6,193) |
| Gain on disposal of non-current assets held for sale | - | 265,114 |
| Net currency exchange gain (loss) | 103,616 | (18,553) |
| Impairment loss | - | (11,487) |
| Other losses | (11,489) | (10,326) |
| | <u>\$ 91,961</u> | <u>\$ 218,555</u> |

(二十二) Finance costs

| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Interest expense: | | |
| Bank borrowings | \$ 2,966 | \$ 1,956 |
| Commercial papers payable | 45 | 676 |
| | <u>3,011</u> | <u>2,632</u> |
| Less: Capitalisation of qualifying assets | (8) | (7) |
| | <u>\$ 3,003</u> | <u>\$ 2,625</u> |

(二十三) Expenses by nature

| | For the year ended December 31, 2022 | | |
|-----------------------------------|--------------------------------------|---------------------------|--------------|
| | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> |
| Employee benefit expenses | \$ 67,916 | \$ 134,055 | \$ 201,971 |
| Depreciation | \$ 40,927 | \$ 13,486 | \$ 54,413 |
| Amortisation on intangible assets | \$ 8 | \$ 105 | \$ 113 |

| | For the year ended December 31, 2021 | | |
|-----------------------------------|--------------------------------------|---------------------------|--------------|
| | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> |
| Employee benefit expenses | \$ 68,922 | \$ 148,014 | \$ 216,936 |
| Depreciation | \$ 38,607 | \$ 14,067 | \$ 52,674 |
| Amortisation on intangible assets | \$ 32 | \$ 84 | \$ 116 |

(二十四) Employee benefit expense

| | For the year ended December 31, 2022 | | |
|------------------------------------|--------------------------------------|---------------------------|-------------------|
| | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> |
| Wages and salaries | \$ 53,253 | \$ 110,841 | \$ 164,094 |
| Labor and health insurance expense | 7,266 | 8,933 | 16,199 |
| Pension costs | 3,479 | 7,561 | 11,040 |
| Other personnel expenses | 3,918 | 6,720 | 10,638 |
| | <u>\$ 67,916</u> | <u>\$ 134,055</u> | <u>\$ 201,971</u> |

| | For the year ended December 31, 2021 | | |
|------------------------------------|--------------------------------------|---------------------------|-------------------|
| | <u>Operating costs</u> | <u>Operating expenses</u> | <u>Total</u> |
| Wages and salaries | \$ 54,380 | \$ 125,235 | \$ 179,615 |
| Labor and health insurance expense | 7,586 | 8,529 | 16,115 |
| Pension costs | 3,236 | 6,924 | 10,160 |
| Other personnel expenses | 3,720 | 7,326 | 11,046 |
| | <u>\$ 68,922</u> | <u>\$ 148,014</u> | <u>\$ 216,936</u> |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (which represents current year's pre-tax profit excluding employees' compensation and directors' remuneration distributed) shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated losses, profit shall be reserved to cover losses first. The distribution percentage of the employees' compensation and directors' remuneration and whether the employees' compensation shall be distributed in the form of shares or in cash shall be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders during their meeting. Employees' compensation shall be distributed to the employees of the Company and its subsidiaries who

meet the requirements prescribed by the Board of Directors or its authorised person.

B. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$18,893 and \$17,321, respectively; while directors' remuneration was accrued at \$6,298 and \$6,495, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on the percentage of distributable profit of the year as prescribed by the Company's Articles of Incorporation. Employees' compensation and directors' remuneration for 2021 amounting to \$23,816 as resolved at the meeting of Board of Directors were the same as those estimated amounts recognised in the 2021 financial statements. The employees' compensation respectively, and directors' remuneration resolved by the Board of Directors on March 27, 2023 were \$18,893 and \$6,298, respectively, and the employees' compensation will be distributed in the form of shares. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(二十五) Income tax

A. Income tax expense:

(a) Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2022 | 2021 |
| Current tax: | | |
| Current tax on profits for the year | \$ 94,504 | \$ 168,187 |
| Tax on undistributed surplus earnings | 1,597 | 1,216 |
| Prior year income tax (over) under estimation | (277) | 156 |
| Total current tax | <u>95,824</u> | <u>169,559</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (13,687) | (26,667) |
| Income tax expense | <u>\$ 82,137</u> | <u>\$ 142,892</u> |

(b) The income tax relating to components of other comprehensive income is as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------------|
| | 2022 | 2021 |
| Remeasurement of defined benefit obligations | <u>\$ 273</u> | <u>\$ 186</u> |

(c) Reconciliation between income tax expense and accounting profit:

| | For the years ended December 31, | |
|--|----------------------------------|-------------------|
| | 2022 | 2021 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 80,796 | \$ 157,756 |
| Effect from items disallowed by tax regulation | 21 (| 16,236) |
| Tax on undistributed surplus earnings | 1,597 | 1,216 |
| Prior year income tax (over) under estimation | (277) | 156 |
| Income tax expense | <u>\$ 82,137</u> | <u>\$ 142,892</u> |

B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| | For the year ended December 31, 2021 | | | |
|---|--------------------------------------|------------------------------|--|--------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| Deferred income tax assets: | | | | |
| Loss on doubtful debts | \$ 2,939 | \$ 2,455 | \$ - | \$ 5,394 |
| Unrealised exchange loss | 2,839 | (2,839) | - | - |
| Loss on inventories from market decline | 5,838 | 5 | - | 5,843 |
| Pensions | 2,860 | (26) | (273) | 2,561 |
| Unused compensated absences | 648 | 10 | - | 658 |
| | <u>\$ 15,124</u> | <u>(\$ 395)</u> | <u>(\$ 273)</u> | <u>\$ 14,456</u> |
| Deferred income tax liabilities: | | | | |
| Investment income | (\$ 58,489) | \$ 17,438 | \$ - | (\$ 41,051) |
| Increment tax on land revaluation | (18,384) | - | - | (18,384) |
| Gain on revaluation | (7,905) | - | - | (7,905) |
| Unrealised exchange gain | - | (3,356) | - | (3,356) |
| | <u>(\$ 84,778)</u> | <u>\$ 14,082</u> | <u>\$ -</u> | <u>(\$ 70,696)</u> |
| | <u>(\$ 69,654)</u> | <u>\$ 13,687</u> | <u>(\$ 273)</u> | <u>(\$ 56,240)</u> |

For the year ended December 31, 2021

| | <u>January 1</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>December 31</u> |
|--|---------------------|---|---|--------------------|
| Temporary differences: | | | | |
| Deferred income tax assets: | | | | |
| Loss on doubtful debts | \$ 2,663 | \$ 276 | \$ - | \$ 2,939 |
| Unrealised exchange loss | 3,810 | (971) | - | 2,839 |
| Loss on inventories from market decline | 5,231 | 607 | - | 5,838 |
| Pensions | 3,272 | (226) | (186) | 2,860 |
| Unused compensated absences | 666 | (18) | - | 648 |
| | <u>\$ 15,642</u> | <u>(\$ 332)</u> | <u>(\$ 186)</u> | <u>\$ 15,124</u> |
| Deferred income tax liabilities | | | | |
| Investment income | (\$ 85,488) | \$ 26,999 | \$ - | (\$ 58,489) |
| Increment tax on land revaluation | (18,384) | - | - | (18,384) |
| Gain on revaluation | (7,905) | - | - | (7,905) |
| | <u>(\$ 111,777)</u> | <u>\$ 26,999</u> | <u>\$ -</u> | <u>(\$ 84,778)</u> |
| | <u>(\$ 96,135)</u> | <u>\$ 26,667</u> | <u>(\$ 186)</u> | <u>(\$ 69,654)</u> |

C. The amounts of deductible temporary differences that were not recognised as deferred tax assets are as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---|--------------------------|--------------------------|
| Loss on inventories from market decline | \$ 436 | \$ 530 |

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority and there were no disputes existing between the Company and the Tax Authority as of March 27, 2023.

(二十六) Earnings per share

| | For the year ended December 31, 2022 | | |
|--|--------------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 314,462 | 85,968 | \$ 3.66 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 314,462 | 85,968 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 657 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 314,462 | 86,625 | \$ 3.63 |
| | For the year ended December 31, 2021 | | |
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 329,078 | 85,585 | \$ 3.85 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders of the parent | \$ 329,078 | 85,585 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 613 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 329,078 | 86,198 | \$ 3.82 |

(二十七) Supplemental cash flow information

A. Investing activities with partial cash payments and receivements:

| | For the years ended December 31, | |
|---|----------------------------------|-------------------|
| | 2022 | 2021 |
| (a) Acquisition of property, plant and equipment | \$ 7,463 | \$ 13,911 |
| Add: Opening balance of notes payable | 255 | 1,580 |
| Opening balance of payables on equipment (shown as 'Other non-current liabilities') | - | 227 |
| Opening balance of payables on equipment (shown as 'Other payables') | 1,714 | - |
| Less: Ending balance of notes payable | (710) | (255) |
| Ending balance of payables on equipment (shown as 'Other payables') | (1,168) | (1,714) |
| Cash paid for acquisition of property, plant and equipment | <u>\$ 7,554</u> | <u>\$ 13,749</u> |
| | | |
| (b) Disposal of non-current assets held for sale | \$ - | \$ 288,686 |
| Less: Opening balance of receipts in advance | - | (144,343) |
| Add: Ending balance of receipts in advance | - | - |
| Proceeds from disposal of non-current assets held for sale | <u>\$ -</u> | <u>\$ 144,343</u> |

B. Investing and financing activities with no cash flow effects:

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| (a) Prepayments for equipment transferred to property, plant and equipment | <u>\$ 8,840</u> | <u>\$ 50,996</u> |
| (b) Employees' compensation payable transferred to common stocks | <u>\$ 17,321</u> | <u>\$ 11,455</u> |

(二十八) Changes in liabilities from financing activities

| | Balance at January 1, 2022 | Changes in cash flow from financing activities | Impact of changes in foreign exchange rate | | Balance at December 31, 2022 |
|--|-------------------------------|--|---|-----|---------------------------------|
| Short-term borrowings | \$ 279,000 | \$ 11,000 | \$ - | | \$ 290,000 |
| Other payables - related parties | 7,962 | - | | 566 | 8,528 |
| Guarantee deposits received | 2,585 | (1,023) | | 8 | 1,570 |
| Liabilities from financing activities-gross | <u>\$ 289,547</u> | <u>\$ 9,977</u> | <u>\$ 574</u> | | <u>\$ 300,098</u> |

| | Balance at January 1, 2021 | Changes in cash flow from financing activities | Impact of changes in foreign exchange rate | | Others | Balance at December 31, 2021 |
|--|-------------------------------|--|---|--|--------------|---------------------------------|
| Short-term borrowings | \$ 230,000 | \$ 49,000 | \$ - | | \$ - | \$ 279,000 |
| Short-term notes and bills payable | 189,963 | (190,000) | | | 37 | - |
| Other payables - related parties | 9,115 | - | (1,153) | | - | 7,962 |
| Guarantee deposits received | 1,397 | 1,191 | (3) | | - | 2,585 |
| Liabilities from financing activities-gross | <u>\$ 430,475</u> | <u>(\$ 139,809)</u> | <u>(\$ 1,156)</u> | | <u>\$ 37</u> | <u>\$ 289,547</u> |

7. Related Party Transactions

(一) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Group</u> |
|---------------------------------|--|
| Cerex Fine Crop Corporation | An entity controlled by key management personnel |
| Chen Rong-Dong | Key management personnel of the Company (Director) |

(二) Significant related party transactions

A. Sales

| | <u>For the years ended December 31,</u> | |
|--|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Sales of goods: | | |
| – An entity controlled by key management personnel | <u>\$ -</u> | <u>\$ 873</u> |

The sales prices and collection terms of sales to related parties were similar to those for non-related parties.

B. Loans from related parties (shown as ‘Other payables – related parties’)

| | <u>For the year ended December 31, 2022</u> | | | | |
|----------------|---|------------------------------------|-------------------------------------|----------------------|-------------------------|
| | <u>Maximum outstanding balance date</u> | <u>Maximum outstanding balance</u> | <u>Balance at December 31, 2022</u> | <u>Interest rate</u> | <u>Interest expense</u> |
| Chen Rong-Dong | 2022.12 | <u>\$ 8,528</u> | <u>\$ 8,528</u> | - | <u>\$ -</u> |

| | <u>For the year ended December 31, 2021</u> | | | | |
|----------------|---|------------------------------------|-------------------------------------|----------------------|-------------------------|
| | <u>Maximum outstanding balance date</u> | <u>Maximum outstanding balance</u> | <u>Balance at December 31, 2022</u> | <u>Interest rate</u> | <u>Interest expense</u> |
| Chen Rong-Dong | 2021.01 | <u>\$ 9,079</u> | <u>\$ 7,962</u> | - | <u>\$ -</u> |

C. Notes payable

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Payables to related parties: | | |
| – An entity controlled by key management personnel | <u>\$ 22</u> | <u>\$ 27</u> |

(三) Key management compensation

| | <u>For the years ended December 31,</u> | |
|---|---|------------------|
| | <u>2022</u> | <u>2021</u> |
| Salaries and other short-term employee benefits | <u>\$ 29,134</u> | <u>\$ 31,448</u> |

8. Pledged Asset

The Group's assets pledged as collateral are as follows:

| <u>Pledged asset</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> | <u>Purpose</u> |
|---|--------------------------|--------------------------|--|
| Demand deposits (shown as 'Financial assets at amortised cost - current') | 2,064 | 1,470 | Acceptance of bill guarantee |
| Land (Note) | 134,984 | 131,788 | Short-term borrowing facilities |
| Buildings - net (Note) | 103,492 | 34,258 | Short-term borrowing facilities and acceptance of bill guarantee |
| Investment property - land | 32,506 | 32,506 | Short-term borrowing facilities |
| | <u>\$ 273,046</u> | <u>\$ 200,022</u> | |

(Note) Shown as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) As of December 31, 2022 and 2021, the Group's capital expenditure contracted for the acquisition of property, plant and equipment but not yet incurred amounted to \$2,030 and \$1,197, respectively.

(2) As of December 31, 2022 and 2021, the Group's unused letters of credit for the purchase of raw materials and supplies amounted to \$ - and \$7,765, respectively.

(3) Refer to Note 6(7), 'Leasing arrangements – lessor' for information on the Group's lease contract commitments.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(一) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(二) Financial instruments

A. Financial instruments by category

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| <u>Financial assets</u> | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | \$ - | \$ 35,612 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | \$ 593,791 | \$ 549,034 |
| Financial assets at amortised cost (current and non-current) | 19,473 | 154,875 |
| Notes receivable | 166,499 | 199,410 |
| Accounts receivable | 637,975 | 423,672 |
| Other receivables | 2,935 | 4,615 |
| Guarantee deposits paid | 9,165 | 2,004 |
| | <u>\$ 1,429,838</u> | <u>\$ 1,333,610</u> |
| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | \$ 290,000 | \$ 279,000 |
| Notes payable (including related parties) | 58,313 | 53,928 |
| Accounts payable | 35,518 | 62,910 |
| Other payables (including related parties) | 103,886 | 110,869 |
| Guarantee deposits received | 1,570 | 2,585 |
| | <u>\$ 489,287</u> | <u>\$ 509,292</u> |

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the Group to manage its foreign exchange risk against its functional currency. The Group is required to hedge their entire foreign exchange risk exposure with the treasury.
- iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the Group's foreign operations are considered strategic investments; thus no hedging for the purpose is conducted.
- iv. The Group's businesses involve some non-functional currency operations (the Group's functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| (foreign currency: functional currency) | December 31, 2022 | | |
|--|--|---------------|------------|
| | Foreign currency amount (in thousands) | Exchange rate | Book value |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 27,450 | 30.66 | \$ 841,609 |
| USD : RMB | 1,341 | 6.9646 | 41,109 |
| RMB : NTD | 11,824 | 4.383 | 51,827 |
| EUR : NTD | 193 | 32.52 | 6,280 |
| THB : NTD | 1,890 | 0.8741 | 1,652 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | 401 | 30.76 | 12,326 |

| December 31, 2021 | | | |
|--|--------------------------|---------------|------------|
| (foreign currency: functional currency) | Foreign currency | | |
| | amount (in thousands) | Exchange rate | Book value |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | \$ 15,666 | 27.63 | \$ 432,852 |
| USD : RMB | 324 | 6.38 | 8,971 |
| RMB : NTD | 34,651 | 4.32 | 149,657 |
| EUR : NTD | 613 | 31.12 | 19,066 |
| THB : NTD | 1,078 | 0.81 | 878 |
| JPY : NTD | 13,664 | 0.24 | 3,259 |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD : NTD | 581 | 27.73 | 16,097 |
| RMB : NTD | 6,222 | 4.32 | 27,184 |

For the sensitivity analysis of foreign exchange risk, as of December 31, 2022 and 2021, if the exchange rate of New Taiwan dollars to all foreign currencies had appreciated /depreciated by 1% with all other variables remaining constant, the after-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$7,112 and \$4,703 respectively. If the exchange rate of RMB to USD had appreciated/depreciated by 1% with all other variables remaining constant, the after-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$308 and \$67, respectively.

- v. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$103,616 and (\$18,553), respectively.

Price risk

There Group is not engaged in any financial instruments with price variations, hence does not except price risk arising from significant variations in the market price.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from short-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the borrowings at variable rate were denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, the after-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased by \$14 and \$7, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Group manages its credit risk taking into consideration the entire Group's concern. According to the Group's credit policy, the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In accordance with the management of credit risk, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Group classifies customer's accounts receivable in accordance with credit term. The Group applies the modified approach using a provision matrix to estimate the expected credit loss. The Group used the forecastability to adjust the loss rate calculated based on historical and timely information. On December 31, 2022 and 2021, the provision matrix were as follows:

| | <u>Within 90 days</u> | <u>91~180 days</u> | <u>180~365 days</u> | <u>More than 1 year</u> | <u>Total</u> |
|--------------------------|---------------------------|------------------------|-------------------------|-----------------------------|-------------------|
| <u>December 31, 2022</u> | | | | | |
| Total book value | <u>\$ 636,410</u> | <u>\$ 7,612</u> | <u>\$ 1,043</u> | <u>\$ 33,728</u> | <u>\$ 678,793</u> |
| Expected loss rate | <u>0%~5%</u> | <u>10%</u> | <u>50%</u> | <u>100%</u> | |
| Loss allowance | <u>\$ 5,808</u> | <u>\$ 761</u> | <u>\$ 521</u> | <u>\$ 33,728</u> | <u>\$ 40,818</u> |
| <u>December 31, 2021</u> | | | | | |
| Total book value | <u>\$ 418,110</u> | <u>\$ 5,606</u> | <u>\$ 2,227</u> | <u>\$ 22,790</u> | <u>\$ 448,733</u> |
| Expected loss rate | <u>0%~5%</u> | <u>10%</u> | <u>50%</u> | <u>100%</u> | |
| Loss allowance | <u>\$ 596</u> | <u>\$ 561</u> | <u>\$ 1,114</u> | <u>\$ 22,790</u> | <u>\$ 25,061</u> |

- v. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | For the years ended December 31, | |
|----------------------------|----------------------------------|------------------|
| | 2022 | 2021 |
| At January 1 | \$ 25,061 | \$ 23,322 |
| Expected credit loss | 15,186 | 3,698 |
| Effect of foreign exchange | 571 | (959) |
| At December 31 | <u>\$ 40,818</u> | <u>\$ 26,061</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Group has the following undrawn borrowing facilities:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Floating rate: | | |
| Expiring within one year | <u>\$ 875,823</u> | <u>\$ 726,000</u> |

- iv. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

| <u>December 31, 2022</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>More than 5 years</u> |
|---------------------------------------|-----------------------------|----------------------------------|----------------------------------|------------------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 291,755 | \$ - | \$ - | \$ - |
| Notes payable | 58,313 | - | - | - |
| Accounts payable | 35,518 | - | - | - |
| Other payables | 95,358 | - | - | - |
| Other payables - related parties | 8,528 | - | - | - |
| Guarantee deposits received | 88 | 260 | - | 1,222 |

| <u>December 31, 2021</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>More than 5 years</u> |
|---------------------------------------|-----------------------------|----------------------------------|----------------------------------|------------------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 280,037 | \$ - | \$ - | \$ - |
| Notes payable | 53,928 | - | - | - |
| Accounts payable | 62,910 | - | - | - |
| Other payables | 102,907 | - | - | - |
| Other payables - related parties | 7,962 | - | - | - |
| Guarantee deposits received | 1,110 | - | 260 | 1,215 |

v. The Group does not expect the maturity date to end early nor the actual cash flow to be materially different.

(三) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9), 'Investment property'.

C. Financial assets and financial liabilities not measured at fair value. The carrying amounts of cash and cash equivalents, financial assets at amortised cost (including current and non-current), notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable (including related parties), accounts payable, other payables, and guarantee deposits received are approximate to their fair values.

D. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

| <u>December 31, 2022</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|------------------|----------------|------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Structured notes | <u>\$ -</u> | <u>\$ 35,612</u> | <u>\$ -</u> | <u>\$ 35,612</u> |

There was no such situation as of December 31, 2022.

E. The methods and assumptions of fair value are as follows:

- (a) When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and financial products, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (b) The market approach is used by the Group to measure its assets held for disposal (Price-to-sales ratio, P/S ratio), which is calculated as the ratio of recent identical or similar transaction price to sales as an observable input to project the fair value of the disposal group.
- (c) The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

(四) Other matters

Due to the Covid-19 pandemic and the implementation of the government's multiple preventive measures, the Group thoroughly complied with the "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". There was no significant adverse effect in various operations.

13. Supplementary Disclosures

According to the current regulatory requirements, the Group is only required to disclose the information for the year ended December 31, 2022.

(一) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Group's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(二) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(三) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 6.

(四) Major shareholders information

Major shareholders information: Refer to table 7.

14. Segment Information

(一) General information

The management of the Group has identified the operating segments based on information provided to the Group's chief operating decision-maker in order to make strategic decisions. The chief operating decision-maker of the Group manages the business from a product perspective. The Group's basis for identification and measurement for segment information had no significant changes during the year.

(二) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on segment pre-tax income. The accounting policies of the operating department are the same as the summary of the significant accounting policies described in Note 4 to the consolidated financial statements.

(三) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

| | For the year ended December 31, 2022 | | | |
|--|--------------------------------------|--------------------------|------------|--------------|
| | Agro Technology | Environmental Science | Others | Total |
| Segment revenue | \$ 1,776,351 | \$ 1,059,174 | \$ - | \$ 2,835,525 |
| Inter-segment revenue | (203,659) | (140,648) | - | (344,307) |
| Revenue from external customers, net | \$ 1,572,692 | \$ 918,526 | \$ - | \$ 2,491,218 |
| Interest income | \$ - | \$ - | \$ 7,144 | \$ 7,144 |
| Depreciation and amortisation | \$ 24,454 | \$ 24,141 | \$ 7,245 | \$ 55,840 |
| Interest expense | \$ - | \$ - | \$ 3,003 | \$ 3,003 |
| Segment profit (loss) | \$ 122,653 | \$ 168,784 | \$ 105,162 | \$ 396,599 |
| Segment assets | \$ 1,568,297 | \$ 887,647 | \$ 802,887 | \$ 3,258,831 |
| Capital expenditure on non-current assets | \$ 9,254 | \$ 6,638 | \$ 254 | \$ 16,146 |
| Segment liabilities | \$ 165,237 | \$ 37,345 | \$ 508,250 | \$ 710,832 |

For the year ended December 31, 2021

| | Agro Technology | Environmental Science | Others | Total |
|---|---------------------|--------------------------|---------------------|---------------------|
| Segment revenue | \$ 1,506,972 | \$ 842,616 | \$ - | \$ 2,349,588 |
| Inter-segment revenue | (141,263) | (119,360) | - | (260,623) |
| Revenue from external customers, net | <u>\$ 1,365,709</u> | <u>\$ 723,256</u> | <u>\$ -</u> | <u>\$ 2,088,965</u> |
| Interest income | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,022</u> | <u>\$ 10,022</u> |
| Depreciation and amortisation | <u>\$ 25,970</u> | <u>\$ 20,776</u> | <u>\$ 7,359</u> | <u>\$ 54,105</u> |
| Interest expense | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,625</u> | <u>\$ 2,625</u> |
| Segment profit (loss) | <u>\$ 95,783</u> | <u>\$ 142,301</u> | <u>\$ 233,886</u> | <u>\$ 471,970</u> |
| Segment assets | <u>\$ 1,194,161</u> | <u>\$ 968,764</u> | <u>\$ 1,020,210</u> | <u>\$ 3,183,135</u> |
| Capital expenditure on non-current assets | <u>\$ 4,675</u> | <u>\$ 5,733</u> | <u>\$ 7,007</u> | <u>\$ 17,415</u> |
| Segment liabilities | <u>\$ 161,237</u> | <u>\$ 34,222</u> | <u>\$ 535,324</u> | <u>\$ 730,783</u> |

(四) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of comprehensive income. The amount of segment profit (loss) provided to the chief operating decision-maker adopts the same measurement for assets in the Group's financial statements. Therefore, no reconciliation is required.

(五) Information on products and services

Revenue from external customers is mainly from sales of plant protection and geosynthetics.

Details are as follows:

| | For the years ended December 31, | |
|---------------------|----------------------------------|---------------------|
| | 2022 | 2021 |
| Plant protection | \$ 1,572,692 | \$ 1,365,709 |
| Geosynthetics | 918,526 | 723,256 |
| Total sales revenue | <u>\$ 2,491,218</u> | <u>\$ 2,088,965</u> |

(六) Geographical information

Geographical information of the Group for the years ended December 31, 2022 and 2021 is as follows:

| | For the years ended December 31, | | | |
|----------------|----------------------------------|--------------------|---------------------|--------------------|
| | 2022 | | 2021 | |
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | \$ 646,825 | \$ 587,058 | \$ 668,233 | \$ 614,348 |
| Brazil | 613,347 | - | 248,878 | - |
| Mainland China | 563,458 | 71,246 | 722,791 | 79,193 |
| Hongkong | 288,620 | - | 43,967 | - |
| Australia | 86,317 | - | 64,154 | - |
| Thailand | 50,905 | 175,849 | 50,721 | 167,445 |
| Japan | 42,629 | - | 71,849 | - |
| Vietnam | 41,525 | - | 63,409 | - |
| Philippines | 38,345 | - | 15,425 | - |
| Indonesia | 35,440 | - | 53,072 | - |
| Others | 83,807 | - | 86,466 | - |
| | <u>\$ 2,491,218</u> | <u>\$ 834,153</u> | <u>\$ 2,088,965</u> | <u>\$ 860,986</u> |

(七) Major customer information

Major customer (net revenue from the customer constituting more than 10% of net consolidated operating revenue) information of the Group for the years ended December 31, 2022 and 2021 is as follows:

| | For the years ended December 31, | | | |
|----------------------------------|----------------------------------|---------------|-------------|---------------|
| | 2022 | | 2021 | |
| | Revenue | Segment | Revenue | Segment |
| Cheongfuli (Hong Kong) Co., Ltd. | <u>\$ 273,728</u> | Geosynthetics | <u>\$ -</u> | Geosynthetics |

Huikwang Corporation and Subsidiaries

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

| No. | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2022 | Balance at December 31, 2022 | Actual amount drawn down | Interest Rate | Nature of Loan | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral | | Limit on loans ranted to a single party | Ceiling on total loans granted | Footnote |
|-----|----------------------|--------------------------------|------------------------|--------------------|---|------------------------------|--------------------------|---------------|-----------------------|--|---------------------------------|---------------------------------|------------|-------|---|--------------------------------|----------|
| | | | | | | | | | | | | | Item | Value | | | |
| 0 | Huikwang Corporation | Huitex Limited | Other receivables | Y | \$ 100,000 | \$ 100,000 | \$ 74,756 | 1.1% ~ 1.5% | Short-term financing | \$ - | Operating capital | \$ - | — | \$ - | \$ 254,800 | \$ 509,600 | (Note1) |
| | | Hui Kwang (Thailand) Co., Ltd. | Other receivables | Y | 31,862 | 27,860 | 27,860 | — | Business transactions | 29,491 | Business transactions | - | — | - | 29,491 | 509,600 | (Note1) |

(Note 1): Calculations of limit on ceiling on total loans granted is 20% of the Company's net worth;

Limit on loans granted to a single party: (1) For short-term financing: shall not exceed 10% of the creditor's net worth.

(2) For business transaction: shall not exceed the amount of the business transactions between both parties during the most recent year.

(Note 2): Foreign currencies were translated into New Taiwan dollars, with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Huikwang Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

| <u>Purchaser/seller</u> | <u>Counterparty</u> | <u>Relationship with the counterparty</u> | <u>Transaction</u> | | <u>Percentage of total purchases (sales)</u> | <u>Credit term</u> | <u>Differences in transaction terms compared to third party transactions</u> | | <u>Notes/accounts receivable (payable)</u> | | <u>Footnote</u> |
|-------------------------|----------------------|--|--------------------|---------------|--|---------------------------------------|--|--------------------|--|--|-----------------|
| | | | <u>(sales)</u> | <u>Amount</u> | | | <u>Unit price</u> | <u>Credit term</u> | <u>Balance</u> | <u>Percentage of total notes/accounts receivable (payable)</u> | |
| Huikwang Corporation | HKC (Shanghai), Ltd. | An investee company accounted for using equity method by the subsidiary, (Hui Kwang International Co., Ltd.) | (Sales) | (\$ 119,679) | (6%) | 90 days after monthly billings by T/T | \$ - | (Note 1) | \$ 15,587 | 2% | — |
| | | | Purchases | 158,888 | 10% | 30 days after monthly billings by T/T | | (Note 2) | (7,840) | (10%) | — |

(Note 1): The collection terms for general foreign customers were L/C at sight to 180 days or T/T within 180 days after monthly billings. The collection terms for general domestic customers were obtaining a 3~4 months promissory note after the completion of sales and monthly billings or T/T within 180 days after monthly billings.

(Note 2): The payment terms were L/C 180 days for general foreign suppliers and obtaining a 2~3 months promissory note after monthly billings for general domestic suppliers.

(Note 3): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Huikwang Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

| <u>Number</u> (Note 2) | <u>Company name</u> | <u>Counterparty</u> | <u>Relationship</u> (Note 3) | <u>General ledger account</u> | <u>Amount</u> | <u>Transaction</u> | | <u>Percentage of consolidated total operating revenues or total assets (Note 4)</u> |
|---------------------------|----------------------|--------------------------------|---------------------------------|-------------------------------|---------------|--|------|---|
| | | | | | | <u>Transaction terms</u> | | |
| 0 | Huikwang Corporation | HUI KWANG (THAILAND) CO., LTD. | 1 | Sales | (\$ 29,491) | 180 days after monthly billings by T/T | (1%) | |
| | | | 1 | Accounts receivable | 25,424 | — | 1% | |
| | | | 1 | Other receivables | 27,860 | — | 1% | |
| | | HKC (Shanghai), Ltd. | 1 | Sales | (119,679) | 90 days after monthly billings by T/T | (5%) | |
| | | | 1 | Purchases | 158,888 | 30 days after monthly billings by T/T | 6% | |
| | | | 1 | Accounts receivable | 15,587 | — | — | |
| | | | 1 | Purchases | 14,245 | 90 days after monthly billings by T/T | 1% | |
| | | HUITEX Limited | 1 | Other receivables | 74,829 | — | 2% | |

(Note 1): As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

(Note 2): The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

(Note 3): Relationship between transaction company and counterparty is classified into the following three categories:

1. Parent company to subsidiary.
2. Subsidiary to parent company
3. Subsidiary to subsidiary.

(Note 4): Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

(Note 5): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Table 4

Huikwang Corporation and Subsidiaries
Information on investees
For the year ended December 31, 2022

Expressed in thousands of NTD

| <u>Investor</u> | <u>Investee</u> | <u>Location</u> | <u>Main business activities</u> | <u>Initial investment amount</u> | | <u>Shares held as at December 31, 2022</u> | | | <u>Net profit (loss) of the investee for the year ended December 31, 2022</u> | <u>Investment income (loss) recognised for the year ended December 31, 2022</u> | <u>Footnote</u> |
|----------------------|-----------------------------------|------------------------|---|--|--|--|----------------------|-------------------|---|---|-----------------|
| | | | | <u>Balance as at December 31, 2022</u> | <u>Balance as at December 31, 2021</u> | <u>Number of shares</u> | <u>Ownership (%)</u> | <u>Book value</u> | | | |
| Huikwang Corporation | HUI KWANG INTERNATIONAL CO., LTD. | Republic of Mauritius | General investment | \$ 227,398 | \$ 227,398 | 6,619,140 | 100.00 | \$ 463,407 | \$ 37,995 | \$ 33,644 | Subsidiary |
| Huikwang Corporation | HUI KWANG (THAILAND) CO., LTD. | Thailand | Chemicals, pesticides, fertilizer, plant growth enhancers and other import and export trade | 815 | 815 | 50,000 | 100.00 | (16,963) | (3,959) | (4,300) | Subsidiary |
| Huikwang Corporation | HKC AGROSCIENCE SDN. BHD. | Malaysia | Import and export trade and marketing of pesticide products | 200 | 200 | 20,000 | 100.00 | (1,006) | (17) | (17) | Subsidiary |
| Huikwang Corporation | Tellus, Inc. | British Virgin Islands | General investment | 200,563 | 200,563 | 6,650 | 100.00 | 168,532 | (5,669) | (6,577) | Subsidiary |
| Tellus, Inc. | HUITEX Limited | Thailand | Manufacturing of geosynthetics, etc. | 184,139 | 184,139 | 2,100,000 | 100.00 | 162,357 | (5,669) | (Note 1) | Subsidiary |

(Note 1): According to the related regulations, it is not required to disclose income (loss) recognised by the Company.

(Note 2): Foreign currencies were translated into New Taiwan dollars, with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; THB: NTD 1: 0.8941; MYR: NTD 1 : 6.699.

Huikwang Corporation and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 5

| | | Expressed in thousands of NTD | | | | | | | | | | | |
|-------------------------------|--|---|----------------------|---|--|-------------------------------|--|---|--|--|--|---|----------|
| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022 | | Accumulat amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Net income of investee for the year ended December 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Book value Of investments In Mainland China as of December 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022 | Footnote |
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| HKC (Shanghai), Ltd. | Manufacturing of micronutrient fertilizer and organic fertilizer, glyphosate, methomyl, and other new coating materials, geosynthetics, etc. | \$ 227,254 | (Note 1) | \$ 202,686 | \$ - | \$ - | \$ 202,686 | \$ 37,995 | 100.00 | \$ 37,995 | \$ 472,565 | \$ 600,073 | (Note 2) |
| <u>Company name</u> | <u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</u> | <u>Investment amount approved by the vestment Ceiling on Commission investments of the in Mainland Ministry of China by the Economic Investment Affairs Commission (MOEA) of MOEA (Note 3) (Note 4)</u> | | | | | | | | | | | |
| Huikwang Corporation | \$ 202,686 | \$ 276,390 | \$ 1,528,799 | | | | | | | | | | |

(Note 1) Through investing in an existing company (Hui Kwang International Co., Ltd.) in the third area, which then invested in the investee in Mainland China.

(Note 2): The paid-in capital of HKC (Shanghai), Ltd. includes the indirect investment through Hui Kwang International Co., Ltd. using the earnings of \$73,704 (USD\$ 2,400 thousand) distributed by HKC (Shanghai), Ltd.

(Note 3): The amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) in accordance with Jing-Shen-II-Zi No. 09600471590 includes the indirect investment in the investee in Mainland China through Hui Kwang International Co., Ltd. using the earnings of \$73,704 (USD\$ 2,400 thousand) distributed by HKC (Shanghai), Ltd.

(Note 4): The ceiling amount is calculated based on the 60% of the net assets or consolidated net assets (whichever is higher).

(Note 5): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71; RMB: NTD 1:4.413.

Huikwang Corporation and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

| | <u>Sale (purchase)</u> | | <u>Property transaction</u> | | <u>Accounts receivable (payable)</u> | | <u>Provision of endorsements/guarantees or collaterals</u> | | <u>Financing</u> | | | | |
|-----------------------------------|------------------------|----------|-----------------------------|----------|--------------------------------------|----------|--|----------------|--|-------------------------------------|----------------------|---|---------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Balance at December 31, 2022</u> | <u>%</u> | <u>Balance at December 31, 2022</u> | <u>Purpose</u> | <u>Maximum balance during the year ended December 31, 2022</u> | <u>Balance at December 31, 2022</u> | <u>Interest rate</u> | <u>Interest during the year ended December 31, 2022</u> | <u>Others</u> |
| <u>Investee in Mainland China</u> | | | | | | | | | | | | | |
| HKC (Shanghai), Ltd. | \$ 119,679 | 6 | \$ - | - | \$ 15,587 | 2 | \$ - | - | \$ - | \$ - | - | \$ - | \$ - |
| | (158,888) | (10) | - | - | (,840) | (26) | - | - | - | - | - | - | - |

Huikwang Corporation and Subsidiaries

Major shareholders information

December 31, 2022

Table 7

Unit: shares

| <u>Name of major shareholders</u> | <u>Number of shares</u> | | <u>Ownership</u> | <u>Footnote</u> |
|-----------------------------------|-------------------------|--------------------------|------------------|-----------------|
| | <u>Common shares</u> | <u>Preference shares</u> | | |
| Huikwang Investment Corporation | 15,343,113 | - | 17.82% | — |
| Chen Rong-Dong | 7,986,746 | - | 9.28% | — |

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

5. Parent-Only Financial Statement for the Most Recent Year Audited and Attested by CPA

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Huikwang Corporation

Opinion

We have audited the accompanying parent company only balance sheets of Huikwang Corporation (the “Company”) as of December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company 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 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 parent company only financial statements section of our report. We are independent of the Company 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. Based on our audits, 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming

our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

Valuation of allowance for inventories

Refer to Note 4(8) for the accounting policy on inventory valuation, Note 5(2) for the uncertainty of accounting estimations and assumptions relating to inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2022, the carrying amount of inventories and allowance for inventory valuation losses are NT\$690,673 thousand and NT\$29,214 thousand, respectively.

The Company is primarily engaged in manufacturing and sales of plant protection agents and geosynthetics, which are chemicals with long shelf life but still subject to climate, production technology and market demand, etc. Therefore, there is a certain risk of inventory losses due from market value decline or obsolescence. The Company's inventories are stated at the lower of cost and net realisable value. For aged over a certain period and individually recognised as obsolete inventories, the net realisable value was calculated based on the inventory clearance and historical data of discounts.

The determination of net realisable value for inventories aged over a certain period and obsolete inventories is subject to management's judgment and involves uncertainty. Considering that the amounts of the Company's inventories and allowance for inventory valuation losses are material to the parent company only financial statements, we considered the valuation of the allowance for inventories as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed the reasonableness of the policy and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the warehouse management procedures, reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the procedures used to identify and control obsolete inventories.

3. Verified the accuracy of the aged inventory judged by management to confirm whether the classification of the inventory is consistent with its policies.
4. Sampled individual inventory item and checked its net realisable value in order to assess the reasonableness of the Company's allowance for inventory valuation losses.

Existence of sales revenue of geosynthetics

Refer to Note 4(24) for details on revenue recognition. Sales is recognised based on the contract price, net of the estimated output tax and sales returns and discounts, when control right of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the sales of products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

The Company's sales revenue mainly arises from the sales of plant protection agents and geosynthetics. Sales revenue from geosynthetics has a high proportion of export sales based on the nature of its industry, mainly in response to the needs of customers for large-scale construction projects. Also, the Company has a large number of customers and distributors which are located all over the world, such as Mainland China, South Africa, Australia, Asia, etc., and it takes a long time to verify the existence of the transactions. Thus, we considered the existence of sales revenue from geosynthetics as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Confirmed the process of the recognition of sales revenue, and reviewed customers' credit information, the basis of revenue recognition, approval procedure and cash collection procedures in order to assess the effectiveness of the internal controls over revenue recognition.
2. Confirmed the basic information of the significant customers and analysed sales amount and conditions compared to the prior period in order to assess the reasonableness of the amount and nature related to the sales.
3. Selected samples of sales transactions from geosynthetics for the year, and examined customer orders, delivery orders, export declarations, sign off records, sales invoice or subsequent collection condition to ascertain the occurrence of sales revenue from geosynthetics.

Responsibilities of management and those charged with governance for the parent company only financial statements

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

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

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

7. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
10. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period 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.

Yeh, Fang-Ting

Independent Auditors

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

March 27, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HUIKWANG CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | December 31, 2022 | | December 31, 2021 | | |
|---------------------------|---|-------------------|---------------------|-------------------|---------------------|------------|
| | | AMOUNT | % | AMOUNT | % | |
| Current assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 367,017 | 12 | \$ 379,306 | 12 |
| 1150 | Notes receivable, net | 6(3) | 157,193 | 5 | 150,520 | 5 |
| 1170 | Accounts receivable, net | 6(3) and 12 | 576,326 | 18 | 373,701 | 12 |
| 1180 | Accounts receivable - related parties | 7 | 41,011 | 2 | 49,402 | 2 |
| 1200 | Other receivables | | 3,994 | - | 3,970 | - |
| 1210 | Other receivables - related parties | 7 | 102,689 | 3 | 77,506 | 3 |
| 130X | Inventories | 5(2) and 6(4) | 661,459 | 21 | 712,596 | 23 |
| 1410 | Prepayments | | 8,343 | - | 8,844 | - |
| 11XX | Total current assets | | <u>1,918,032</u> | <u>61</u> | <u>1,755,845</u> | <u>57</u> |
| Non-current assets | | | | | | |
| 1535 | Financial assets at amortised cost-non-current | 6(1)(2) | 17,409 | 1 | 23,116 | 1 |
| 1550 | Investments accounted for using equity method | 6(5) and 7 | 631,939 | 20 | 694,057 | 22 |
| 1600 | Property, plant and equipment | 6(6) and 8 | 448,823 | 14 | 474,470 | 15 |
| 1760 | Investment property, net | 6(7)(8) and 8 | 137,093 | 4 | 138,407 | 4 |
| 1780 | Intangible assets | 6(9) | 238 | - | 351 | - |
| 1840 | Deferred income tax assets | 6(23) | 14,456 | - | 15,124 | 1 |
| 1915 | Prepayments for equipment | 6(6) | 870 | - | 1,065 | - |
| 1920 | Guarantee deposits paid | | 603 | - | 603 | - |
| 1990 | Other non-current assets | | 33 | - | 53 | - |
| 15XX | Total non-current assets | | <u>1,251,464</u> | <u>39</u> | <u>1,347,246</u> | <u>43</u> |
| 1XXX | Total assets | | <u>\$ 3,169,496</u> | <u>100</u> | <u>\$ 3,103,091</u> | <u>100</u> |

(Continued)

HUIKWANG CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| Liabilities and Equity | | Notes | December 31, 2022 | | December 31, 2021 | |
|--|---|-------------|---------------------|------------|---------------------|------------|
| | | | AMOUNT | % | AMOUNT | % |
| Current liabilities | | | | | | |
| 2100 | Short-term borrowings | 6(10) and 8 | \$ 290,000 | 9 | \$ 279,000 | 9 |
| 2130 | Contract liabilities - current | 6(15) | 2,260 | - | 1,529 | - |
| 2150 | Notes payable | | 44,525 | 2 | 46,579 | 2 |
| 2170 | Accounts payable | | 19,986 | 1 | 55,191 | 2 |
| 2180 | Accounts payable - related parties | 7 | 10,746 | - | 11,799 | - |
| 2200 | Other payables | | 72,956 | 2 | 71,540 | 2 |
| 2230 | Current income tax liabilities | 6(23) | 82,854 | 3 | 75,557 | 2 |
| 21XX | Total current liabilities | | <u>523,327</u> | <u>17</u> | <u>541,195</u> | <u>17</u> |
| Non-current liabilities | | | | | | |
| 2570 | Deferred income tax liabilities | 6(23) | 70,696 | 2 | 84,778 | 3 |
| 2640 | Net defined benefit liabilities - non-current | 6(11) | 8,465 | - | 9,962 | - |
| 2645 | Guarantee deposits received | | 1,040 | - | 2,150 | - |
| 2670 | Other non-current liabilities | 6(5) | 17,969 | 1 | 12,654 | 1 |
| 25XX | Total non-current liabilities | | <u>98,170</u> | <u>3</u> | <u>109,544</u> | <u>4</u> |
| 2XXX | Total liabilities | | <u>621,497</u> | <u>20</u> | <u>650,739</u> | <u>21</u> |
| Equity | | | | | | |
| Share capital | | | | | | |
| 3110 | Common stock | 6(12) | 860,612 | 27 | 856,702 | 28 |
| 3200 | Capital surplus | 6(12)(13) | 210,106 | 7 | 196,666 | 6 |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(14) | 356,041 | 11 | 323,059 | 10 |
| 3320 | Special reserve | | 206,486 | 6 | 206,486 | 7 |
| 3350 | Unappropriated retained earnings | | 1,000,616 | 32 | 975,055 | 31 |
| 3400 | Other equity interest | 6(5) | (85,862) | (3) | (105,616) | (3) |
| 3XXX | Total Equity | | <u>2,547,999</u> | <u>80</u> | <u>2,452,352</u> | <u>79</u> |
| Significant Contingent Liabilities and Unrecognized Contract Commitments | | | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 3,169,496</u> | <u>100</u> | <u>\$ 3,103,091</u> | <u>100</u> |

The accompanying notes are an integral part of these parent company only financial statements.

HUIKWANG CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

| | Items | Notes | Year ended December 31 | | | |
|------|---|-------------------------------|------------------------|-------|--------------|-------|
| | | | 2022 | | 2021 | |
| | | | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(15) and 7 | \$ 2,166,906 | 100 | \$ 1,604,563 | 100 |
| 5000 | Operating costs | 6(4)(9)(11)(21)(22) and 7 | (1,694,529) | (78) | (1,245,762) | (77) |
| 5900 | Operating margin | | 472,377 | 22 | 358,801 | 23 |
| | Operating expenses | 6(9)(11)(21)(22), 7 and 12 | | | | |
| 6100 | Selling expenses | | (82,451) | (4) | (71,794) | (4) |
| 6200 | General and administrative expenses | | (85,190) | (4) | (77,315) | (5) |
| 6300 | Research and development expenses | | (11,265) | - | (10,692) | (1) |
| 6450 | Expected credit loss | | (17,322) | (1) | (920) | - |
| 6000 | Total operating expenses | | (196,228) | (9) | (160,721) | (10) |
| 6500 | Other income and expense, net | 6(7)(8)(16) | 4,806 | - | 3,690 | - |
| 6900 | Operating profit | | 280,955 | 13 | 201,770 | 13 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(17) and 7 | 4,213 | - | 3,644 | - |
| 7010 | Other income | 6(18) | 4,231 | - | 3,647 | - |
| 7020 | Other gains and losses | 6(19) and 12 | 85,469 | 4 | (25,379) | (1) |
| 7050 | Finance costs | 6(6)(20) | (2,956) | - | (2,510) | - |
| 7070 | Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | 6(5) | 22,750 | 1 | 228,033 | 14 |
| 7000 | Total non-operating income and expenses | | 113,707 | 5 | 207,435 | 13 |
| 7900 | Profit before income tax | | 394,662 | 18 | 409,205 | 26 |
| 7950 | Income tax expense | 6(23) | (80,200) | (4) | (80,127) | (5) |
| 8200 | Profit for the year | | \$ 314,462 | 14 | \$ 329,078 | 21 |
| | Other comprehensive income (loss) | | | | | |
| | Components of other comprehensive income (loss) that will not be reclassified to profit or loss | | | | | |
| 8311 | Gains on remeasurements of defined benefit plan | 6(11) | \$ 1,365 | - | \$ 931 | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(23) | (273) | - | (186) | - |
| | Components of other comprehensive income that will be reclassified to profit or loss | | | | | |
| 8361 | Exchange differences on translation | 6(5) | 19,754 | 1 | (27,252) | (2) |
| 8300 | Other comprehensive income (loss) for the year | | \$ 20,846 | 1 | (\$ 26,507) | (2) |
| 8500 | Total comprehensive income for the year | | \$ 335,308 | 15 | \$ 302,571 | 19 |
| | Earnings per share (in dollars) | 6(24) | | | | |
| 9750 | Basic | | \$ 3.66 | | \$ 3.85 | |
| 9850 | Diluted | | \$ 3.63 | | \$ 3.82 | |

The accompanying notes are an integral part of these parent company only financial statements.

HUIKWANG CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | Retained Earnings | | | | Other Equity Interest | Total equity | |
|---|-----------|---------------------------------|-------------------|-------------------|--------------------|-------------------------------------|----------------------|---|
| | | Share capital - common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | | Exchanges differences on translation of Foreign operations |
| <u>For the year ended December 31, 2021</u> | | | | | | | | |
| Balance at January 1, 2021 | | \$ 852,970 | \$ 188,943 | \$ 304,129 | \$ 206,486 | \$ 800,637 | (\$ 78,364) | \$ 2,274,801 |
| Profit for the year | | - | - | - | - | 329,078 | - | 329,078 |
| Other comprehensive income (loss) for the year | 6(5) | - | - | - | - | 745 | (27,252) | (26,507) |
| Total comprehensive income (loss) | | - | - | - | - | 329,823 | (27,252) | 302,571 |
| Distribution of 2020 net income: | | | | | | | | |
| Legal reserve | | - | - | 18,930 | - | (18,930) | - | - |
| Cash dividends | 6(14) | - | - | - | - | (136,475) | - | (136,475) |
| Employees' compensation transferred to common stock | 6(12)(25) | 3,732 | 7,723 | - | - | - | - | 11,455 |
| Balance at December 31, 2021 | | <u>\$ 856,702</u> | <u>\$ 196,666</u> | <u>\$ 323,059</u> | <u>\$ 206,486</u> | <u>\$ 975,055</u> | <u>(\$ 105,616)</u> | <u>\$ 2,452,352</u> |
| <u>For the year ended December 31, 2022</u> | | | | | | | | |
| Balance at January 1, 2022 | | \$ 856,702 | \$ 196,666 | \$ 323,059 | \$ 206,486 | \$ 975,055 | (\$ 105,616) | \$ 2,452,352 |
| Profit for the year | | - | - | - | - | 314,462 | - | 314,462 |
| Other comprehensive income for the year | 6(5) | - | - | - | - | 1,092 | 19,754 | 20,846 |
| Total comprehensive income | | - | - | - | - | 315,554 | 19,754 | 335,308 |
| Distribution of 2021 net income: | | | | | | | | |
| Legal reserve | | - | - | 32,982 | - | (32,982) | - | - |
| Cash dividends | 6(14) | - | - | - | - | (257,011) | - | (257,011) |
| Employees' compensation transferred to common stock | 6(12)(25) | 3,910 | 13,411 | - | - | - | - | 17,321 |
| Executing the right of disgorgement | | - | 29 | - | - | - | - | 29 |
| Balance at December 31, 2022 | | <u>\$ 860,612</u> | <u>\$ 210,106</u> | <u>\$ 356,041</u> | <u>\$ 206,486</u> | <u>\$ 1,000,616</u> | <u>(\$ 85,862)</u> | <u>\$ 2,547,999</u> |

The accompanying notes are an integral part of these parent company only financial statements.

HUIKWANG CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the years ended December 31, | |
|--|----------|----------------------------------|----------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | |
| Profit before tax | | \$ 394,662 | \$ 409,205 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit losses | 12 | 17,322 | 920 |
| Provision for inventory market price decline | 6(4) | 25 | 3,032 |
| Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | 6(5) | (22,750) | (228,033) |
| Depreciation | 6(6)(8) | 34,817 | 35,422 |
| Loss (gain) on disposal of property, plant and equipment | 6(19) | 44 | (162) |
| Amortisation | 6(9)(21) | 113 | 116 |
| Interest income | 6(17) | (4,213) | (3,644) |
| Interest expense | 6(20) | 2,956 | 2,510 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | (6,673) | (34,752) |
| Accounts receivable | | (219,947) | (222,658) |
| Accounts receivable - related parties | | 8,391 | 16,921 |
| Other receivables | | 396 | 73 |
| Inventories | | 51,112 | (98,308) |
| Prepayments | | 501 | 14,411 |
| Changes in operating liabilities | | | |
| Contract liabilities - current | | 731 | 531 |
| Notes payable | | (2,509) | 16,218 |
| Accounts payable | | (35,205) | 35,779 |
| Accounts payable - related parties | | (1,053) | 1,827 |
| Other payables | | 19,060 | 24,163 |
| Net defined benefit liabilities - non-current | | (132) | (1,130) |
| Cash inflow (outflow) generated from operations | | 237,648 | (27,559) |
| Interest received | | 3,793 | 3,289 |
| Dividends received | 6(5) | 109,937 | 363,029 |
| Interest paid | | (2,868) | (2,440) |
| Income tax paid | | (86,590) | (73,967) |
| Net cash flows from operating activities | | <u>261,920</u> | <u>262,352</u> |

(Continued)

HUIKWANG CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

| | Notes | For the years ended December 31, | |
|--|------------|----------------------------------|-------------|
| | | 2022 | 2021 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | |
| Decrease (increase) in financial assets at amortised cost - non-current | | \$ 5,707 | (\$ 23,116) |
| (Increase) decrease in other receivables - related parties | | (25,183) | 15,801 |
| Acquisition of investments accounted for using equity method | 6(5) and 7 | - | (55,565) |
| Proceeds from capital reduction of investments accounted for using equity method | 6(5) | - | 23,472 |
| Cash paid for acquisition of property, plant and equipment | 6(25) | (2,928) | (9,161) |
| Proceeds from disposal of property, plant and equipment | | - | 162 |
| Acquisition of intangible assets | 6(9) | - | (158) |
| Increase in prepayments for equipment | | (4,725) | (1,058) |
| Interest paid for prepayments for equipment | 6(6)(20) | (8) | (7) |
| Decrease in other non-current assets | | 20 | 22 |
| Net cash flows used in investing activities | | (27,117) | (49,608) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | | |
| Increase in short-term borrowings | 6(26) | 110,000 | 369,000 |
| Decrease in short-term borrowings | 6(26) | (99,000) | (320,000) |
| Decrease in short-term notes and bills payable | 6(26) | - | (190,000) |
| (Decrease) increase in guarantee deposit received | 6(26) | (1,110) | 1,190 |
| Payment of cash dividends | 6(14) | (257,011) | (136,475) |
| Proceeds from disgorgement | | 29 | - |
| Net cash flows used in financing activities | | (247,092) | (276,285) |
| Net decrease in cash and cash equivalents | | (12,289) | (63,541) |
| Cash and cash equivalents at beginning of year | 6(1) | 379,306 | 442,847 |
| Cash and cash equivalents at end of year | 6(1) | \$ 367,017 | \$ 379,306 |

The accompanying notes are an integral part of these parent company only financial statements.

HUIKWANG CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

(1) Huikwang Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on December 27, 1965. The Company is primarily engaged in the manufacture, processing, packing and trading of various pesticides, fertilizers and public health pesticide, manufacture of plastic sheets, fabrics, pipes and tubes, manufacture of the plastic bags, manufacture of the industrial plastic products, and the import and export of the aforementioned products.

(2) The Company’s stocks have been listed on the Taipei Exchange since March 2004.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 27, 2023.

3. Application of New Standards, Amendments and Interpretations

(一) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2022 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by International Accounting Standards Board (“IASB”)</u> |
|---|--|
| Amendments to IFRS 3, ‘Reference to the conceptual framework’ | January 1, 2022 |
| Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’ | January 1, 2022 |
| Amendments to IAS 37, ‘Onerous contracts – cost of fulfilling a contract’ | January 1, 2022 |
| Annual improvements to IFRS Standards 2018–2020 | January 1, 2022 |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(二) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by IASB</u> |
|--|-------------------------------|
| Amendments to IAS 1, ‘Disclosure of accounting policies’ | January 1, 2023 |
| Amendments to IAS 8, ‘Definition of accounting estimates’ | January 1, 2023 |
| Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’ | January 1, 2023 |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

(三) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

| <u>New Standards, Interpretations and Amendments</u> | <u>Effective date by IASB</u> |
|---|-------------------------------|
| 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, ‘Lease liability in a sale and leaseback’ | January 1, 2024 |
| IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendments to IFRS 17, ‘Insurance contracts’ | January 1, 2023 |
| Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – between an 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 |

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(一) Compliance statement

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

(二) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the parent company only financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving

a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5 ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(三) Foreign currency translation

Items included in the parent company only financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘Other gains and losses’.

(四) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;

- (b) Liabilities arising mainly for trading purposes;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(五) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits and repurchase agreement that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(六) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(七) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(八) Inventories

Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. If the cost exceeds net realisable value, valuation loss is accrued and recognised in operating costs. If the net realisable value reverses, valuation is eliminated within the credit balance and is recognised as deduction of operating costs.

(九) Impairment of financial assets

For accounts receivable that do not contain a significant financing component, the Company

recognises the impairment provision for lifetime ECLs.

(十) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(十一) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise the losses in proportion to its ownership.
- D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the profit or loss and other comprehensive income or loss in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(十二) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each fiscal year-end. If expectations for the assets' residual values and useful

lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

| <u>Assets</u> | <u>Useful lives</u> |
|--------------------------|---------------------|
| Land improvements | 7 years |
| Buildings | 3 ~ 60 years |
| Machinery | 2 ~ 20 years |
| Utilities equipment | 3 ~ 23 years |
| Transportation equipment | 3 ~ 16 years |
| Testing equipment | 2 ~ 16 years |
| Other equipment | 2 ~ 20 years |

(十三) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 13~20 years.

(十四) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(十五) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(十六) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(十七) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(十八) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(十九) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(二十) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in the period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(二十一) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(二十二) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(二十三) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in

which they are approved by the Company's Board of Directors; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance in the period when they are approved by the Company's shareholders.

(二十四) Revenue recognition

A. Sales of goods

- (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price of the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue is recognised based on the contract price, net of the estimated output tax, sales returns and sales discounts and allowances. Accumulated experience is used to estimate and provide for the sales returns and sales discounts and allowances and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. With respect to credit terms for sales, as the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(一) Critical judgements in applying the Company's accounting policies

None.

(二) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal consumption, obsolete or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories involves management's subjective judgements and uncertainty. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2022, the carrying amount of inventories was \$661,459.

6. Details of Significant Accounts

(一) Cash and cash equivalents

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------------------------|--------------------------|--------------------------|
| Cash: | | |
| Cash on hand | \$ 142 | \$ 148 |
| Checking accounts and demand deposits | <u>55,203</u> | <u>164,197</u> |
| | <u>55,345</u> | <u>164,345</u> |
| Cash equivalents: | | |
| Time deposits | 281,012 | 145,886 |
| Repurchase agreement | <u>30,660</u> | <u>69,075</u> |
| | <u>311,672</u> | <u>214,961</u> |
| | <u>\$ 367,017</u> | <u>\$ 379,306</u> |

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. As of December 31, 2022 and 2021, the Company had restricted bank deposits due to the application of Repatriated Offshore Funds Act in the amount of \$17,409 and \$23,116, respectively, which were shown as 'Financial assets at amortised cost - non-current'.

C. As of December 31, 2022 and 2021, the Company has no cash and cash equivalents pledged to others.

(二) Financial assets at amortised cost – non-current

| <u>Items</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------|--------------------------|--------------------------|
| Restricted bank deposits | <u>\$ 17,409</u> | <u>\$ 23,116</u> |

A. As of December 31, 2022 and 2021, the Company had no financial assets at amortised cost pledged to others.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial Instruments'.

(三) Notes and accounts receivable, net

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Notes receivable | \$ 157,193 | \$ 150,520 |
| Accounts receivable | \$ 606,907 | \$ 386,960 |
| Less: Allowance for uncollectible accounts | (30,581) | (13,259) |
| | <u>\$ 576,326</u> | <u>\$ 373,701</u> |

A. The ageing analysis of notes and accounts receivable (including related parties) is as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|---------------------|--------------------------|--------------------------|
| Notes receivable | | |
| Not past due | \$ 157,193 | \$ 150,520 |
| Accounts receivable | | |
| Not past due | \$ 608,655 | \$ 402,949 |
| Up to 90 days | 14,290 | 17,211 |
| 91 to 180 days | - | 3,807 |
| Over 180 days | 24,973 | 12,395 |
| | <u>\$ 647,918</u> | <u>\$ 436,362</u> |

The above ageing analysis was based on past due date.

B. As of December 31, 2022 and 2021, notes and accounts receivable were all from contracts with customers. As of January 1, 2021, the balance of receivables from contracts with customers (including related parties) amounted to \$346,393.

C. As of December 31, 2022 and 2021, the Company had no notes and accounts receivable pledged to others.

D. Information relating to credit risk for notes and accounts receivable is provided in Note 12(2), 'Financial Instruments'.

(四) Inventories

| | <u>December 31, 2022</u> | | |
|--------------------------|--------------------------|---|-------------------|
| | <u>Cost</u> | <u>Allowance for valuation loss</u> | <u>Book value</u> |
| Merchandise | \$ 2,045 | (\$ 37) | \$ 2,008 |
| Raw materials | 237,154 | (8,406) | 228,748 |
| Raw materials in transit | 54,850 | - | 54,850 |
| Supplies | 17,379 | (1,509) | 15,870 |
| Supplies in transit | 889 | - | 889 |
| Work in progress | 8,196 | - | 8,196 |
| Finished goods | 370,160 | (19,262) | 350,898 |
| | <u>\$ 690,673</u> | <u>(\$ 29,214)</u> | <u>\$ 661,459</u> |

| | December 31, 2021 | | |
|--------------------------|-------------------|---------------------------------|-------------------|
| | Cost | Allowance for valuation loss | Book value |
| Merchandise | \$ 2,754 | \$ - | \$ 2,754 |
| Raw materials | 237,373 | (10,809) | 226,564 |
| Raw materials in transit | 100,250 | - | 100,250 |
| Supplies | 15,973 | (929) | 15,044 |
| Work in progress | 13,067 | - | 13,067 |
| Finished goods | 372,368 | (17,451) | 354,917 |
| | <u>\$ 741,785</u> | <u>(\$ 29,189)</u> | <u>\$ 712,596</u> |

The cost of inventories recognised as expense for the year:

| | For the years ended December 31, | |
|--|----------------------------------|---------------------|
| | 2022 | 2021 |
| Cost of goods sold | \$ 1,691,492 | \$ 1,241,992 |
| Provision for inventory market price decline | 25 | 3,032 |
| Loss on scrapped inventories | 2,927 | 740 |
| Loss (gain) on physical inventory | 85 | (2) |
| | <u>\$ 1,694,529</u> | <u>\$ 1,245,762</u> |

(五) Investments accounted for using equity method

A. Movements in investments accounted for using equity method (including the transfer of negative balances to 'Other non-current liabilities') were as follows:

| | For the years ended December 31, | |
|--|----------------------------------|-------------------|
| | 2022 | 2021 |
| At January 1 | \$ 681,403 | \$ 811,558 |
| Addition on investments accounted for under equity method | - | 55,565 |
| Proceeds from capital reduction of investments accounted for using equity method | - | (23,472) |
| Share of profit or loss of investments accounted for using equity method | 22,750 | 228,033 |
| Cash dividends from investments accounted for using equity method | (109,937) | (363,029) |
| Other equity — exchange differences on translation of foreign financial statements | 19,754 | (27,252) |
| At December 31 | <u>\$ 613,970</u> | <u>\$ 681,403</u> |

B. Details of investments accounted for using equity method are as follows:

| <u>Investee</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|-----------------------------------|--------------------------|--------------------------|
| HUI KWANG INTERNATIONAL CO., LTD. | \$ 463,407 | \$ 530,125 |
| Tellus Inc. | <u>168,532</u> | <u>163,932</u> |
| | <u>\$ 631,939</u> | <u>\$ 694,057</u> |

C. Details of negative balances of investments accounted for using equity method (shown as ‘Other non-current liabilities’) are as follows:

| <u>Investee</u> | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--------------------------------|--------------------------|--------------------------|
| HUI KWANG (THAILAND) CO., LTD. | \$ 16,963 | \$ 11,717 |
| HKC AROSCIENCE SDN. BHD. | <u>1,006</u> | <u>937</u> |
| | <u>\$ 17,969</u> | <u>\$ 12,654</u> |

D. For more information about subsidiaries, refer to Note 4(3), ‘Basis of consolidation’ on the consolidated financial statements.

E. As of December 31, 2022 and 2021, the Company has no investments accounted for using equity method pledged to others.

(六) Property, plant and equipment

| | Land | Land improvements | Buildings | Machinery | Utility equipment | Transportation equipment | Testing equipment | Other equipment | Total |
|---|-------------------|----------------------|-------------------|-------------------|----------------------|-----------------------------|----------------------|--------------------|-------------------|
| <u>January 1, 2022</u> | | | | | | | | | |
| Cost | \$ 170,747 | \$ 1,491 | \$ 262,854 | \$ 629,631 | \$ 48,131 | \$ 40,074 | \$ 37,515 | \$ 64,114 | \$ 1,254,557 |
| Accumulated depreciation | - | (1,240) | (134,019) | (503,518) | (45,443) | (33,656) | (30,313) | (31,898) | (780,087) |
| | <u>\$ 170,747</u> | <u>\$ 251</u> | <u>\$ 128,835</u> | <u>\$ 126,113</u> | <u>\$ 2,688</u> | <u>\$ 6,418</u> | <u>\$ 7,202</u> | <u>\$ 32,216</u> | <u>\$ 474,470</u> |
| <u>For the year ended December 31, 2022</u> | | | | | | | | | |
| At January 1 | \$ 170,747 | \$ 251 | \$ 128,835 | \$ 126,113 | \$ 2,688 | \$ 6,418 | \$ 7,202 | \$ 32,216 | \$ 474,470 |
| Additions | - | - | 186 | 1,659 | - | 83 | - | 1,044 | 2,972 |
| Transferred from prepayments for equipment | - | - | - | 4,551 | 377 | - | - | - | 4,928 |
| Depreciation | - | (126) | (6,313) | (21,084) | (326) | (1,618) | (1,030) | (3,006) | (33,503) |
| Disposals-Cost | - | - | - | (170) | - | - | - | (170) | (340) |
| -Accumulated depreciation | - | - | - | 142 | - | - | - | 154 | 296 |
| At December 31 | <u>\$ 170,747</u> | <u>\$ 125</u> | <u>\$ 122,708</u> | <u>\$ 111,211</u> | <u>\$ 2,739</u> | <u>\$ 4,883</u> | <u>\$ 6,172</u> | <u>\$ 30,238</u> | <u>\$ 448,823</u> |
| <u>December 31, 2022</u> | | | | | | | | | |
| Cost | \$ 170,747 | \$ 1,491 | \$ 263,040 | \$ 635,671 | \$ 48,508 | \$ 40,157 | \$ 37,515 | \$ 64,988 | \$ 1,262,117 |
| Accumulated depreciation | - | (1,366) | (140,332) | (524,460) | (45,769) | (35,274) | (31,343) | (34,750) | (813,294) |
| | <u>\$ 170,747</u> | <u>\$ 125</u> | <u>\$ 122,708</u> | <u>\$ 111,211</u> | <u>\$ 2,739</u> | <u>\$ 4,883</u> | <u>\$ 6,172</u> | <u>\$ 30,238</u> | <u>\$ 448,823</u> |

| | Land | Land improvements | Buildings | Machinery | Utility equipment | Transportation equipment | Testing equipment | Other equipment | Total |
|---|-------------------|----------------------|-------------------|-------------------|----------------------|-----------------------------|----------------------|--------------------|-------------------|
| <u>January 1, 2021</u> | | | | | | | | | |
| Cost | \$ 170,747 | \$ 1,491 | \$ 263,140 | \$ 626,534 | \$ 48,131 | \$ 40,345 | \$ 37,515 | \$ 60,477 | \$ 1,248,380 |
| Accumulated depreciation | - | (1,053) | (129,920) | (482,423) | (45,125) | (32,520) | (29,246) | (28,931) | (749,218) |
| | <u>\$ 170,747</u> | <u>\$ 438</u> | <u>\$ 133,220</u> | <u>\$ 144,111</u> | <u>\$ 3,006</u> | <u>\$ 7,825</u> | <u>\$ 8,269</u> | <u>\$ 31,546</u> | <u>\$ 499,162</u> |
| <u>For the year ended December 31, 2021</u> | | | | | | | | | |
| At January 1 | \$ 170,747 | \$ 438 | \$ 133,220 | \$ 144,111 | \$ 3,006 | \$ 7,825 | \$ 8,269 | \$ 31,546 | \$ 499,162 |
| Additions | - | - | 1,852 | 3,683 | - | 243 | - | 3,637 | 9,415 |
| Depreciation | - | (187) | (6,237) | (21,681) | (318) | (1,650) | (1,067) | (2,967) | (34,107) |
| Disposals-Cost | - | - | (2,138) | (586) | - | (514) | - | - | (3,238) |
| -Accumulated depreciation | - | - | 2,138 | 586 | - | 514 | - | - | 3,238 |
| At December 31 | <u>\$ 170,747</u> | <u>\$ 251</u> | <u>\$ 128,835</u> | <u>\$ 126,113</u> | <u>\$ 2,688</u> | <u>\$ 6,418</u> | <u>\$ 7,202</u> | <u>\$ 32,216</u> | <u>\$ 474,470</u> |
| <u>December 31, 2021</u> | | | | | | | | | |
| Cost | \$ 170,747 | \$ 1,491 | \$ 262,854 | \$ 629,631 | \$ 48,131 | \$ 40,074 | \$ 37,515 | \$ 64,114 | \$ 1,254,557 |
| Accumulated depreciation | - | (1,240) | (134,019) | (503,518) | (45,443) | (33,656) | (30,313) | (31,898) | (780,087) |
| | <u>\$ 170,747</u> | <u>\$ 251</u> | <u>\$ 128,835</u> | <u>\$ 126,113</u> | <u>\$ 2,688</u> | <u>\$ 6,418</u> | <u>\$ 7,202</u> | <u>\$ 32,216</u> | <u>\$ 474,470</u> |

- A. As of December 31, 2022 and 2021, the Company's property, plant and equipment are all for own use.
- B. Amount of borrowing costs capitalised and the range of the interest rates for such capitalisation are as follows:

| | For the years ended December 31, | |
|---------------------|----------------------------------|---------------|
| | 2022 | 2021 |
| Amount capitalised | \$ 8 | \$ 7 |
| Interest rate range | 0.67% ~ 1.34% | 0.65% ~ 0.79% |

- C. For more information regarding the Company's property, plant and equipment pledged to others as of December 31, 2022 and 2021, refer to Note 8, 'Pledged assets'.

(七) Leasing arrangements — lessor

- A. The Company leases various assets including land and buildings (shown as 'Investment property'). Rental contracts are typically made for periods of 6 and 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. For the years ended December 31, 2022 and 2021, the Company recognised rent income in the amounts of \$6,120 and \$5,005, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2022 | December 31, 2021 |
|---------------|-------------------|-------------------|
| Within 1 year | \$ 6,171 | \$ 6,114 |
| 1 ~ 2 years | 5,314 | 6,171 |
| 2 ~ 3 years | 4,457 | 5,314 |
| 3 ~ 4 years | 4,457 | 4,457 |
| 4 ~ 5 years | 4,457 | 4,457 |
| Over 5 years | 37,886 | 42,343 |
| Total | \$ 62,742 | \$ 68,856 |

(八) Investment property, net

| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| <u>At January 1, 2022</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (19,759) | (19,759) |
| | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |
| <u>For the year ended December 31, 2022</u> | | | |
| At January 1 | \$ 133,588 | \$ 4,819 | \$ 138,407 |
| Depreciation | - | (1,314) | (1,314) |
| At December 31 | <u>\$ 133,588</u> | <u>\$ 3,505</u> | <u>\$ 137,093</u> |
| <u>At December 31, 2022</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (21,073) | (21,073) |
| | <u>\$ 133,588</u> | <u>\$ 3,505</u> | <u>\$ 137,093</u> |
| | | | |
| | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
| <u>At January 1, 2021</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (18,444) | (18,444) |
| | <u>\$ 133,588</u> | <u>\$ 6,134</u> | <u>\$ 139,722</u> |
| <u>For the year ended December 31, 2021</u> | | | |
| At January 1 | \$ 133,588 | \$ 6,134 | \$ 139,722 |
| Depreciation | - | (1,315) | (1,315) |
| At December 31 | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |
| <u>At December 31, 2021</u> | | | |
| Cost | \$ 133,588 | \$ 24,578 | \$ 158,166 |
| Accumulated depreciation | - | (19,759) | (19,759) |
| | <u>\$ 133,588</u> | <u>\$ 4,819</u> | <u>\$ 138,407</u> |

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

| | <u>For the years ended December 31,</u> | |
|--|---|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Rental income from investment property (shown as 'Other income (expenses)') | <u>\$ 6,120</u> | <u>\$ 5,005</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year (shown as 'Other income (expenses)') | <u>\$ 1,314</u> | <u>\$ 1,315</u> |

B. The fair value of the investment property held by the Company as at December 31, 2022 and 2021 were \$360,344 and \$320,492, respectively, which was valued based on quoted prices in the neighbouring area by real estate agents or actual price registration information, which were categorised within Level 3 in the fair value hierarchy.

C. For more information regarding investment property pledged to others as of December 31, 2022 and 2021, refer to Note 8, 'Pledge assets'.

(九) Intangible assets

| | <u>For the years ended December 31,</u> | |
|---------------------------------------|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Computer software</u> | | |
| <u>At January 1</u> | | |
| Cost | \$ 5,898 | \$ 5,740 |
| Accumulated amortisation | (5,547) | (5,431) |
| | <u>\$ 351</u> | <u>\$ 309</u> |
| <u>For the year ended December 31</u> | | |
| At January 1 | \$ 351 | \$ 309 |
| Additions | - | 158 |
| Amortisation | (113) | (116) |
| At December 31 | <u>\$ 238</u> | <u>\$ 351</u> |
| <u>At December 31</u> | | |
| Cost | \$ 5,898 | \$ 5,898 |
| Accumulated amortisation | (5,660) | (5,547) |
| | <u>\$ 238</u> | <u>\$ 351</u> |

A. No interest was capitalised as part of intangible assets for the years ended December 31, 2022 and 2021.

B. Details of amortisation on intangible assets were as follows:

| | For the years ended December 31, | |
|-------------------------|----------------------------------|---------------|
| | 2022 | 2021 |
| Manufacturing overhead | \$ 8 | \$ 32 |
| Administrative expenses | 105 | 84 |
| | <u>\$ 113</u> | <u>\$ 116</u> |

(+) Short-term borrowings

| | <u>December 31, 2022</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured bank borrowings | <u>\$ 290,000</u> | 1.16% ~ 1.42% | None |

| | <u>December 31, 2021</u> | <u>Interest rate range</u> | <u>Collateral</u> |
|---------------------------|--------------------------|----------------------------|-------------------|
| Unsecured bank borrowings | <u>\$ 279,000</u> | 0.64% ~ 0.82% | None |

For more information on interest expense recognised in profit or loss by the Company for the years ended December 31, 2022 and 2021, refer to Note 6(20), 'Financial costs'.

(+ -) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Pension Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. Related information is shown as follow:

(b) The amounts recognised in the balance sheet are as follows:

| | <u>December 31, 2022</u> | <u>December 31, 2021</u> |
|--|--------------------------|--------------------------|
| Present value of defined benefit obligations | \$ 28,869 | \$ 31,081 |
| Fair value of plan assets | (20,404) | (21,119) |
| Net defined benefit liability | <u>\$ 8,465</u> | <u>\$ 9,962</u> |

(c) Movements in net defined benefit liabilities are as follows:

| | For the year ended December 31, 2022 | | |
|---------------------------------|--|------------------------------|----------------------------------|
| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
| At January 1 | \$ 31,081 | (\$ 21,119) | \$ 9,962 |
| Interest expense (income) | 218 | (149) | 69 |
| | <u>31,299</u> | <u>(21,268)</u> | <u>10,031</u> |
| Remeasurements: | | | |
| Return on plan assets | - | (1,835) | (1,835) |
| Change in financial assumptions | (771) | - | (771) |
| Experience adjustments | 1,241 | - | 1,241 |
| | <u>470</u> | <u>(1,835)</u> | <u>(1,365)</u> |
| Pension fund contribution | - | (201) | (201) |
| Paid pensions | (2,900) | 2,900 | - |
| | <u>(2,900)</u> | <u>2,699</u> | <u>(201)</u> |
| At December 31 | <u>\$ 28,869</u> | <u>(\$ 20,404)</u> | <u>\$ 8,465</u> |

For the year ended December 31, 2021

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|-----------------------------------|--|------------------------------|----------------------------------|
| At January 1 | \$ 37,901 | (\$ 25,878) | \$ 12,023 |
| Current service cost | 33 | - | 33 |
| Interest expense (income) | 114 | (78) | 36 |
| | <u>38,048</u> | <u>(25,956)</u> | <u>12,092</u> |
| Remeasurements: | | | |
| Return on plan assets | - | (360) | (360) |
| Change in demographic assumptions | 20 | - | 20 |
| Change in financial assumptions | (820) | - | (820) |
| Experience adjustments | 229 | - | 229 |
| | <u>(571)</u> | <u>(360)</u> | <u>(931)</u> |
| Pension fund contribution | - | (1,199) | (1,199) |
| Paid pensions | (6,396) | 6,396 | - |
| | <u>(6,396)</u> | <u>5,197</u> | <u>(1,199)</u> |
| At December 31 | <u>\$ 31,081</u> | <u>(\$ 21,119)</u> | <u>\$ 9,962</u> |

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | <u>For the years ended December 31,</u> | |
|-----------------------------|---|--------------|
| | <u>2022</u> | <u>2021</u> |
| Discount rate | <u>1.20%</u> | <u>0.70%</u> |
| Future salary increase rate | <u>3.25%</u> | <u>3.25%</u> |

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table for the years ended December 31, 2022 and 2021.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | <u>Discount rate</u> | | <u>Future salary increases</u> | |
|---|-----------------------|-----------------------|--------------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| <u>December 31, 2022</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>371</u>) | <u>\$ 381</u> | <u>\$ 318</u> | (\$ <u>312</u>) |

| | <u>Discount rate</u> | | <u>Future salary increases</u> | |
|---|-----------------------|-----------------------|--------------------------------|-----------------------|
| | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> | <u>Increase 0.25%</u> | <u>Decrease 0.25%</u> |
| <u>December 31, 2021</u> | | | | |
| Effect on present value of defined benefit obligation | (\$ <u>482</u>) | <u>\$ 496</u> | <u>\$ 420</u> | (\$ <u>411</u>) |

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2023 amount to \$135.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

| | | |
|---------------|-----------|---------------|
| Within 1 year | \$ | 8,787 |
| 2-5 years | | 7,839 |
| Over 5 years | | <u>8,595</u> |
| | <u>\$</u> | <u>25,221</u> |

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2022 and 2021 were \$3,601 and \$3,442, respectively.

(十二) Share capital

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (unit: shares in thousands):

| | <u>For the years ended December 31,</u> | |
|---|---|---------------|
| | <u>2022</u> | <u>2021</u> |
| Beginning number of shares | 85,670 | 85,297 |
| Employees’ compensation transferred to common stock | <u>391</u> | <u>373</u> |
| Ending number of shares | <u>86,061</u> | <u>85,670</u> |

B. On March 29, 2022, the Company’s Board of Directors resolved to increase its capital by issuing new shares through transferring employees’ compensation payable amounting to \$17,321. After obtaining the approval from the Securities and Futures Bureau of Financial Supervisory Commission, the effective date of the capital increase was set on June 30, 2022. A total of 391 thousand new shares were issued through the employees’ shares compensation amounting to \$17,321 based on the closing price at the previous day of the board meeting and after taking into account the effects of ex-rights and ex-dividends. The new shares were expected to be transferred to share capital at the par value on the effective date of the capital increase and the premiums that exceed the par value were transferred to ‘Capital surplus, additional paid-in capital arising from ordinary share’.

C. On March 25, 2021, the Company’s Board of Directors resolved to increase its capital by issuing new shares through transferring employees’ compensation payable amounting to \$11,455. After obtaining the approval from the Securities and Futures Bureau of Financial Supervisory Commission, the effective date of the capital increase was set on June 18, 2021. A total of 373 thousand new shares were issued through the employees’ shares compensation amounting to \$11,455 based on the closing price at the previous day of the board meeting and after taking into account the effects of ex-rights and ex-dividends. The new shares were expected to be transferred to share capital at the par value on the effective date of the capital increase and the premiums that exceed the par value were transferred to ‘Capital surplus, additional paid-in capital arising from ordinary share’.

D. As of December 31, 2022, the Company's authorised capital was \$1,000,000 and the paid-in capital was \$860,612, consisting of 86,061 thousand shares of ordinary stock, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(十三) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(十四) Retained earnings

A. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset accumulated operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After that, special reserve shall be set aside or reverse in accordance with the related laws or the regulations made by the regulatory authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors and resolved by the shareholders during their meeting. The Company's Board of Directors shall distribute all or part of the distributable dividends and bonuses in cash through a resolution adopted by a majority vote at its meeting attended by two-thirds of the total number of directors and reported it to the shareholders' meeting. The aforementioned regulation does not require approval from the shareholders. The Company's policy on dividend distribution shall be based on current and future development plans, investment environment, capital needs and domestic and foreign competition, taking into consideration shareholders' benefits, balanced dividends and the Company's long-term financial plan. The distribution shall be proposed by the Board of Directors and reported to the shareholders every year. At least 10% of the accumulated distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed. However, the Board of Directors shall adjust the ratios based on current operating status and shall be resolved by the shareholders during their meeting.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit

balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- (b) The amount of \$206,486 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Financial-Supervisory-Securities-Corporate Letter No.1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Company recognised cash dividends distributed to owners amounting to \$257,011 (\$3 (in dollars) per share) and \$136,475 (\$1.6 (in dollars) per share) for the years ended December 31, 2022 and 2021, respectively. On March 27, 2023, the Board of Directors resolved the distribution of cash dividends from 2022 earnings in the amount of \$232,365 (\$2.7 (in dollars) per share).

(十五) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time in the following major product lines:

| | <u>For the years ended December 31,</u> | |
|-------------------------------|---|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Agro technology revenue | \$ 1,248,802 | \$ 907,499 |
| Environmental science revenue | 918,104 | 697,064 |
| | <u>\$ 2,166,906</u> | <u>\$ 1,604,563</u> |

B. Contract liabilities

(a) The Company has recognised the revenue-related contract liabilities amounting to \$2,260, \$1,529 and \$998 as of December 31, 2022, December 31, 2021 and January 1, 2021, respectively.

(b) Revenue recognised that was included in the contract liabilities at the beginning of the year were \$1,529 and \$998 for the years ended December 31, 2022 and 2021, respectively.

(十六) Other income (expenses), net

| | <u>For the years ended December 31,</u> | |
|----------------|---|-----------------|
| | <u>2022</u> | <u>2021</u> |
| Other income | | |
| Rent income | \$ 6,120 | \$ 5,005 |
| Other expenses | | |
| Depreciation | (1,314) | (1,315) |
| | <u>\$ 4,806</u> | <u>\$ 3,690</u> |

(十七) Interest income

| | For the years ended December 31, | |
|---------------|----------------------------------|-----------------|
| | 2022 | 2021 |
| Bank deposits | \$ 3,450 | \$ 2,910 |
| Others | 763 | 734 |
| | <u>\$ 4,213</u> | <u>\$ 3,644</u> |

(十八) Other income

| | For the years ended December 31, | |
|--------------|----------------------------------|-----------------|
| | 2022 | 2021 |
| Other income | <u>\$ 4,231</u> | <u>\$ 3,647</u> |

(十九) Other gains and losses

| | For the years ended December 31, | |
|--|----------------------------------|--------------------|
| | 2022 | 2021 |
| Net (loss) gains on disposals of property, plant and equipment | (\$ 44) | \$ 162 |
| Net currency exchange gain (loss) | 97,002 | (15,139) |
| Other losses | (11,489) | (10,402) |
| | <u>\$ 85,469</u> | <u>(\$ 25,379)</u> |

(二十) Finance costs

| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Interest expense: | | |
| Bank borrowings | \$ 2,919 | \$ 1,841 |
| Commercial papers payable | 45 | 676 |
| | <u>2,964</u> | <u>2,517</u> |
| Less: Capitalisation of qualifying assets | (8) | (7) |
| | <u>\$ 2,956</u> | <u>\$ 2,510</u> |

(二十一) Expenses by nature

| | For the year ended December 31, 2022 | | |
|-----------------------------------|--------------------------------------|--------------------------|--------------|
| | <u>Operating costs</u> | <u>Operating expense</u> | <u>Total</u> |
| Employee benefit expense | \$ 48,763 | \$ 80,619 | \$ 129,382 |
| Depreciation | \$ 27,077 | \$ 6,426 | \$ 33,503 |
| Amortisation on intangible assets | \$ 8 | \$ 105 | \$ 113 |

| | For the year ended December 31, 2022 | | |
|-----------------------------------|--------------------------------------|--------------------------|--------------|
| | <u>Operating costs</u> | <u>Operating expense</u> | <u>Total</u> |
| Employee benefit expense | \$ 48,087 | \$ 76,219 | \$ 124,306 |
| Depreciation | \$ 28,128 | \$ 5,979 | \$ 34,107 |
| Amortisation on intangible assets | \$ 32 | \$ 84 | \$ 116 |

(二十二) Employee benefit expense

| | For the year ended December 31, 2022 | | |
|------------------------------------|--------------------------------------|--------------------------|-------------------|
| | <u>Operating cost</u> | <u>Operating expense</u> | <u>Total</u> |
| Wages and salaries | \$ 39,841 | \$ 64,191 | \$ 104,032 |
| Labor and health insurance expense | 3,883 | 5,101 | 8,984 |
| Pension costs | 1,678 | 1,992 | 3,670 |
| Directors' remuneration | - | 6,436 | 6,436 |
| Other personnel expenses | 3,361 | 2,899 | 6,260 |
| | <u>\$ 48,763</u> | <u>\$ 80,619</u> | <u>\$ 129,382</u> |

| | For the year ended December 31, 2022 | | |
|------------------------------------|--------------------------------------|--------------------------|-------------------|
| | <u>Operating cost</u> | <u>Operating expense</u> | <u>Total</u> |
| Wages and salaries | \$ 39,521 | \$ 60,548 | \$ 100,069 |
| Labor and health insurance expense | 3,872 | 4,597 | 8,469 |
| Pension costs | 1,618 | 1,893 | 3,511 |
| Directors' remuneration | - | 6,648 | 6,648 |
| Other personnel expenses | 3,076 | 2,533 | 5,609 |
| | <u>\$ 48,087</u> | <u>\$ 76,219</u> | <u>\$ 124,306</u> |

A. For the years ended December 31, 2022 and 2021, the average number of employees were 143 and 142 employees, respectively, which included 4 non-employee directors for both years.

For the years ended December 31, 2022 and 2021, the average employee benefit expense were \$885 and \$852, respectively, while average wages and salaries were \$748 and \$725, respectively. The average wages and salaries increased by 3% compared to prior year. The

- Company has set up the audit committee, so there is no supervisors' remuneration.
- B. Directors' remuneration of the Company was set based on the extent of participation and the value of contribution in and to the Company's operations as well as the general pay level within the same industry; managers' and employees' compensation policy of the Company was set based on the position held, responsibility assumed, profitability of the Company, contribution to the Company's performance and the pay level of similar positions within the same industry.
- C. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year (which represents current year's pre-tax profit excluding employees' compensation and directors' remuneration distributed) shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 1% for employees' compensation and shall not be higher than 5% for directors' remuneration. If the Company has accumulated losses, profit shall be reserved to cover losses first. The distribution percentage of the employees' compensation and directors' remuneration and whether the employees' compensation shall be distributed in the form of shares or in cash shall be resolved by the Board of Directors with a majority vote at its meeting attended by two-thirds of the total number of directors and reported to the shareholders' meeting. The employees that the Company shall distribute employees' compensation include the employees of subsidiaries who meet the requirements prescribed by the Board of Directors or its authorised person.
- D. For the years ended December 31, 2022 and 2021, employees' compensation was accrued at \$18,893 and \$17,321, respectively; while directors' remuneration was accrued at \$6,298 and \$6,495, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration were estimated and accrued based on the percentage of distributable profit of the year as prescribed by the Company's Articles of Incorporation. Employees' compensation and directors' remuneration for 2021 amounting to \$23,816 as resolved at the meeting of Board of Directors were the same as those estimated amounts recognised in the 2021 financial statements. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 27, 2023 were \$18,893 and \$6,298, respectively, and the employees' compensation will be distributed in the form of shares. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(二十三) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | For the years ended December 31, | |
|---|----------------------------------|------------------|
| | 2022 | 2021 |
| Current tax: | | |
| Current tax on profits for the year | \$ 92,640 | \$ 105,552 |
| Tax on undistributed surplus earnings | 1,597 | 1,216 |
| Prior year income tax (over) under estimation | (350) | 26 |
| Total current tax | <u>93,887</u> | <u>106,794</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | (13,687) | (26,667) |
| Income tax expense | <u>\$ 80,200</u> | <u>\$ 80,127</u> |

(b) The income tax relating to components of other comprehensive income is as follows:

| | For the years ended December 31, | |
|--|----------------------------------|---------------|
| | 2022 | 2021 |
| Remeasurement of defined benefit obligations | <u>\$ 273</u> | <u>\$ 186</u> |

(c) Reconciliation between income tax expense and accounting profit:

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| Tax calculated based on profit before tax and statutory tax rate | \$ 78,932 | \$ 81,841 |
| Effect from items disallowed by tax regulation | 21 | (2,956) |
| Tax on undistributed surplus earnings | 1,597 | 1,216 |
| Prior year income tax (over) under estimation | (350) | 26 |
| Income tax expense | <u>\$ 80,200</u> | <u>\$ 80,127</u> |

B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| | For the year ended December 31, 2022 | | | |
|--|--------------------------------------|---------------------------------|---|--------------------|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| Deferred income tax | | | | |
| assets: | | | | |
| Loss on doubtful debts | \$ 2,939 | \$ 2,455 | \$ - | \$ 5,394 |
| Unrealised exchange loss | 2,839 | (2,839) | - | - |
| Loss on inventories from market decline | 5,838 | 5 | - | 5,843 |
| Pensions | 2,860 | (26) | (273) | 2,561 |
| Unused compensated absences | 648 | 10 | - | 658 |
| | <u>\$ 15,124</u> | <u>(\$ 395)</u> | <u>(\$ 273)</u> | <u>\$ 14,456</u> |
| Deferred income tax | | | | |
| liabilities: | | | | |
| Investment income | (\$ 58,489) | \$ 17,438 | \$ - | (\$ 41,051) |
| Increment tax on land revaluation | (18,384) | - | - | (18,384) |
| Gain on revaluation | (7,905) | - | - | (7,905) |
| Unrealised exchange gain | - | (3,356) | - | (3,356) |
| | <u>(\$ 84,778)</u> | <u>\$ 14,082</u> | <u>\$ -</u> | <u>(\$ 70,696)</u> |
| | <u>(\$ 69,654)</u> | <u>\$ 13,687</u> | <u>(\$ 273)</u> | <u>(\$ 56,240)</u> |

For the year ended December 31, 2021

| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
|---|---------------------|---------------------------------|---|--------------------|
| Temporary differences: | | | | |
| Deferred income tax | | | | |
| assets: | | | | |
| Loss on doubtful debts | \$ 2,663 | \$ 276 | \$ - | \$ 2,939 |
| Unrealised exchange loss | 3,810 | (971) | - | 2,839 |
| Loss on inventories from market decline | 5,231 | 607 | - | 5,838 |
| Pensions | 3,272 | (226) | (186) | 2,860 |
| Unused compensated absences | 666 | (18) | - | 648 |
| | <u>\$ 15,642</u> | <u>(\$ 332)</u> | <u>(\$ 186)</u> | <u>\$ 15,124</u> |
| Deferred income tax liabilities: | | | | |
| Investment income | (\$ 85,488) | \$ 26,999 | \$ - | (\$ 58,489) |
| Increment tax on land revaluation | (18,384) | - | - | (18,384) |
| Gain on revaluation | (7,905) | - | - | (7,905) |
| | <u>(\$ 111,777)</u> | <u>\$ 26,999</u> | <u>\$ -</u> | <u>(\$ 84,778)</u> |
| | <u>(\$ 96,135)</u> | <u>\$ 26,667</u> | <u>(\$ 186)</u> | <u>(\$ 69,654)</u> |

C. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority, and there were no disputes existing between the Company and the Tax Authority as of March 27, 2023.

(二十四) Earnings per share

| | For the year ended December 31, 2022 | | |
|--|--------------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 314,462 | 85,968 | \$ 3.66 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 314,462 | 85,968 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 657 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 314,462 | 86,625 | \$ 3.63 |

| | For the year ended December 31, 2021 | | |
|--|--------------------------------------|--|---------------------------------------|
| | Amount after tax | Weighted average number of shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 329,078 | 85,585 | \$ 3.85 |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 329,078 | 85,585 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 613 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | \$ 329,078 | 86,198 | \$ 3.82 |

(二十五) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2022 | 2021 |
| Acquisition of property, plant and equipment | \$ 2,972 | \$ 9,415 |
| Add: Opening balance of notes payable | 255 | 1,580 |
| Opening balance of payables for equipment (shown as 'other payables') | 1,579 | - |
| Less: Ending balance of notes payable | (710) | (255) |
| Ending balance of payables for equipment (shown as 'other payables') | (1,168) | (1,579) |
| Cash paid for purchase of property, plant and equipment | <u>\$ 2,928</u> | <u>\$ 9,161</u> |

B. Investing and financing activities with no cash flow effect:

| | For the years ended December 31, | |
|--|----------------------------------|------------------|
| | 2022 | 2021 |
| (a) Prepayments for equipment transferred to property, plant and equipment | \$ 4,928 | \$ - |
| (b) Employees' compensation payables transferred to common stocks | <u>\$ 17,321</u> | <u>\$ 11,455</u> |

(二十六) Changes in liabilities from financing activities

| | Short-term | Guarantee | Liabilities from |
|--|-------------------|-------------------|----------------------------|
| | borrowings | deposits received | financing activities-gross |
| Balance at January 1, 2022 | \$ 279,000 | \$ 2,150 | \$ 281,150 |
| Changes in cash flow from financing activities | 11,000 | (1,110) | 9,890 |
| Balance at December 31, 2022 | <u>\$ 290,000</u> | <u>\$ 1,040</u> | <u>\$ 291,040</u> |
| | Short-term | Guarantee | Liabilities from |
| | borrowings | deposits received | financing activities-gross |
| Balance at January 1, 2021 | \$ 230,000 | \$ 960 | \$ 420,923 |
| Changes in cash flow from financing activities | 49,000 | (1,190) | (139,810) |
| Others | - | 37 | 37 |
| Balance at December 31, 2021 | <u>\$ 279,000</u> | <u>\$ 2,150</u> | <u>\$ 281,150</u> |

7. Related Party Transactions

(一) Names of related parties and relationship

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|---------------------------------|--|
| HUI KWANG (THAILAND) CO., LTD. | Subsidiary |
| HUITEX Limited | Subsidiary |
| Tellus Inc. | Subsidiary |
| HKC (Shanghai), Ltd. | Subsidiary |
| Cerex Fine Crop Corporation | An entity controlled by key management personnel |

(二) Significant related party transactions

A. Sales

| | <u>For the years ended December 31,</u> | |
|--|---|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Sales of goods: | | |
| — Subsidiaries | \$ 150,172 | \$ 158,064 |
| — An entity controlled by key management personnel | - | 873 |
| | <u>\$ 150,172</u> | <u>\$ 158,937</u> |

Except for the collection term for the subsidiary, HKC (Shanghai), Ltd., of T/T 90 days after the completion of sales and monthly billings, the remaining sales prices and collection terms of sales to related parties were similar to those for main customers. The collection terms for general foreign customers were L/C at sight to 180 days or T/T within 180 days after monthly billings. The collection terms for general domestic customers were obtaining a 3~4 months promissory note after the completion of sales and monthly billings or T/T within 180 days after monthly billings.

B. Purchases

| | <u>For the years ended December 31,</u> | |
|------------------------|---|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Purchases of goods: | | |
| — HKC (Shanghai), Ltd. | \$ 158,888 | \$ 103,440 |
| — Subsidiaries | 14,245 | - |
| | <u>\$ 173,133</u> | <u>\$ 103,440</u> |

Except for the payment terms for the subsidiary, HKC (Shanghai), Ltd., of T/T 30 days after monthly billings, the remaining purchase prices and payment terms of purchases from related parties were based on mutual agreements and similar to those for main suppliers. The payment terms were L/C 180 days for general foreign suppliers and obtaining a 2~3 months promissory note after monthly billings for general domestic suppliers.

C. Property transactions

Acquisition for financial assets (cash capital increase):

| | Accounts | Number of shares (in thousands) | Objects | For the year ended December 31, 2021 |
|-------------|---|---------------------------------------|----------------|---|
| Tellus Inc. | Investments accounted for using the equity method | 2 | HUITEX Limited | \$ <u>55,565</u> |

There was no such situation for the year ended December 31, 2022.

D. Notes and accounts receivable

| | December 31, 2022 | December 31, 2021 |
|-----------------------------------|-------------------|-------------------|
| Receivables from related parties: | | |
| – HUI KWANG (THAILAND) CO., LTD. | \$ 25,424 | \$ 33,046 |
| – HKC (Shanghai), Ltd. | 15,587 | 16,356 |
| | <u>\$ 41,011</u> | <u>\$ 49,402</u> |

E. Notes and accounts payable

| | December 31, 2022 | December 31, 2021 |
|------------------------------|-------------------|-------------------|
| Payables to related parties: | | |
| – HKC (Shanghai), Ltd. | \$ 7,840 | \$ 11,799 |
| – Subsidiaries | 2,906 | - |
| | <u>\$ 10,746</u> | <u>\$ 11,799</u> |

F. Loans to related parties (shown as ‘Other receivables - related parties’)

| | December 31, 2022 | December 31, 2021 |
|--------------------------------|---|-------------------|
| Loans to related parties: | | |
| (a) Ending balance: | | |
| HUITEX Limited | \$ 74,829 | \$ 61,246 |
| HUI KWANG (THAILAND) CO., LTD. | 27,860 | 16,260 |
| | <u>\$ 102,689</u> | <u>\$ 77,506</u> |
| | <u>For the years ended December 31,</u> | |
| | <u>2022</u> | <u>2021</u> |
| (b) Interest income: | | |
| HUITEX Limited | <u>\$ 763</u> | <u>\$ 734</u> |

The loans to HUITEX Limited carry interest at 1.5% and 1.1% per year for the years ended December 31, 2022 and 2021, respectively, and the loans to HUI KWANG (THAILAND) CO., LTD do not carry any interest.

(三) Key management compensation

| | For the years ended December 31, | |
|---|----------------------------------|-----------|
| | 2022 | 2021 |
| Salaries and other short-term employee benefits | \$ 25,326 | \$ 27,859 |

8. Pledged Assets

The Company's assets pledged as collateral are as follows:

| Pledged asset | Book value | | Purpose |
|----------------------------|-------------------|-------------------|----------------------------------|
| | December 31, 2022 | December 31, 2021 | |
| Land (Note) | \$ 94,329 | \$ 94,389 | Short-term borrowings facilities |
| Buildings - net (Note) | 31,834 | 34,258 | Short-term borrowings facilities |
| Investment property - land | 32,506 | 32,506 | Short-term borrowings facilities |
| | <u>\$ 158,669</u> | <u>\$ 161,153</u> | |

(Note) Shown as 'Property, plant and equipment'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

- (1) As of December 31, 2022 and 2021, the Company's capital expenditure contracted for purchasing property, plant and equipment but not yet incurred amounted to \$2,030 and \$1,197, respectively.
- (2) As of December 31, 2022 and 2021, the Company's unused letters of credit for purchasing raw materials and supplies amounted to \$— and \$7,765, respectively.
- (3) Refer to Note 6(7), 'Leasing arrangements – lessor' for information of the Company's lease contract commitments.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

None.

12. Others

(一) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(二) Financial instruments

A. Financial instruments by category

Details of financial instruments by category of the Company are described in Note 6.

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The

Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency. The Company is required to hedge their entire foreign exchange risk exposure with the treasury.
- iii. The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, the Company's foreign operations are considered strategic investments; thus, no hedging for the purpose is conducted.
- iv. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022

| (foreign currency: functional currency) | Foreign currency | | |
|--|--------------------------|---------------|------------|
| | amount (in thousands) | Exchange rate | Book value |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 28,279 | 30.66 | \$ 867,033 |
| EUR:NTD | 193 | 32.52 | 6,280 |
| RMB:NTD | 15,381 | 4.383 | 67,414 |
| THB:NTD | 1,890 | 0.8741 | 1,652 |
| <u>Investments accounted for using equity method</u> | | | |
| USD:NTD | 20,913 | 30.71 | 642,248 |
| THB:NTD | (17,546) | 0.8941 | (15,688) |
| MYR:NTD | (150) | 6.699 | (1,006) |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 495 | 30.76 | 15,232 |
| RMB:NTD | 1,769 | 4.433 | 7,840 |

| December 31, 2021 | | | |
|--|----------------|---------------|------------|
| Foreign currency | | | |
| amount | | | |
| | (in thousands) | Exchange rate | Book value |
| (foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | \$ 17,451 | 27.63 | \$ 482,158 |
| EUR:NTD | 613 | 31.12 | 19,066 |
| RMB:NTD | 34,651 | 4.319 | 149,657 |
| THB:NTD | 1,078 | 0.8147 | 878 |
| JPY:NTD | 13,664 | 0.2385 | 3,259 |
| <u>Investments accounted for using equity method</u> | | | |
| USD:NTD | 25,257 | 27.68 | 699,107 |
| THB:NTD | (12,918) | 0.8347 | (10,783) |
| MYR:NTD | (147) | 6.36 | (937) |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 612 | 27.73 | 16,959 |
| RMB:NTD | 8,726 | 4.369 | 38,123 |

As of December 31, 2022 and 2021, if the Company's functional currency exchange rate to foreign currencies had appreciated/depreciated by 1% with all other factors remaining constant, the after-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$7,354 and \$4,799, respectively.

- v. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$97,002 and (\$15,139), respectively.

Price risk

The Company is not engaged in any financial instruments with price variations, hence does not expect price risk arising from significant variations in the market price.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from short-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. During the years ended December 31, 2022 and 2021, the Company's borrowings at variable rate were denominated in New Taiwan dollars.
- ii. If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, the after-tax profit for the years ended December 31, 2022 and 2021 would

have decreased/increased by \$14 and \$7, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii. The Company manages its credit risk taking into consideration the entire company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of the new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In accordance with the management of credit risk, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company classifies customer's accounts receivable in accordance with credit term. The Company applies the modified approach using a provision matrix to estimate the expected credit loss. The Company used the forecastability to adjust the loss rate calculated based on historical and timely information. On December 31, 2022 and 2021, the provision matrix were as follows:

| | Within days | 91~180 days | 180~365 days | More than 1 year | Total |
|--------------------------|----------------|----------------|-----------------|---------------------|------------|
| <u>December 31, 2022</u> | | | | | |
| Total book value | \$ 622,945 | \$ - | \$ - | \$ 24,973 | \$ 647,918 |
| Expected loss rate | 0%~5% | 10% | 50% | 100% | |
| Loss allowance | \$ 5,608 | \$ - | \$ - | \$ 24,973 | \$ 30,581 |
| <u>December 31, 2021</u> | | | | | |
| Total book value | \$ 420,160 | \$ 3,807 | \$ - | \$ 12,395 | \$ 436,362 |
| Expected loss rate | 0%~5% | 10% | 50% | 100% | |
| Loss allowance | \$ 483 | \$ 381 | \$ - | \$ 12,395 | \$ 13,259 |

v. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable are as follows:

| | For the years ended December 31, | |
|----------------------|----------------------------------|------------------|
| | 2022 | 2021 |
| At January 1 | \$ 13,259 | \$ 12,339 |
| Expected credit loss | 17,322 | 920 |
| At December 31 | <u>\$ 30,581</u> | <u>\$ 13,259</u> |

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Company treasury. Company treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.
- iii. The Company has the following undrawn borrowing facilities:

| | December 31, 2022 | December 31, 2021 |
|--------------------------|-------------------|-------------------|
| Floating rate: | | |
| Expiring within one year | <u>\$ 765,000</u> | <u>\$ 726,000</u> |

- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| December 31, 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years |
|---------------------------------------|---------------------|--------------------------|--------------------------|----------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 291,755 | \$ - | \$ - | \$ - |
| Notes payable | 44,525 | - | - | - |
| Accounts payable | 19,986 | - | - | - |
| Accounts payable - related parties | 10,746 | - | - | - |
| Other payables | 72,817 | - | - | - |
| Guarantee deposits received | - | 260 | - | 780 |

| <u>December 31, 2021</u> | <u>Less than 1 year</u> | <u>Between 1 and 2 years</u> | <u>Between 2 and 5 years</u> | <u>More than 5 years</u> |
|---------------------------------------|-----------------------------|----------------------------------|----------------------------------|------------------------------|
| Non-derivative financial liabilities: | | | | |
| Short-term borrowings | \$ 280,037 | \$ - | \$ - | \$ - |
| Notes payable | 46,579 | - | - | - |
| Accounts payable | 55,191 | - | - | - |
| Accounts payable - related parties | 11,799 | - | - | - |
| Other payables | 70,673 | - | - | - |
| Guarantee deposits received | 1,110 | - | 260 | 780 |

v. The Company does not expect the maturity date to end early nor the actual cash flow to be materially different.

(三) Fair value information

The Company had no fair value financial instruments as of December 31, 2022 and 2021.

(四) Others

Due to the Covid-19 pandemic and the implementation of the government's multiple preventive measures, the Company thoroughly complied with "Guidelines for Enterprise Planning of Business Continuity in Response to the Coronavirus Disease 2019". There was no significant adverse effect in various operations.

13. Supplementary Disclosures

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2022.

(一) Significant transactions information

- A. Loans to others: Refer to table 1.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: Refer to table 2.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 3.

(二) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 4.

(三) Information on investments in Mainland China

A. Basic information: Refer to table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 6.

(四) Major shareholders information

Major shareholders information: Refer to table 7.

14. Segment Information

Not applicable.

Huikwang Corporation and Subsidiaries

Loans to others

For the year ended December 31, 2022

Table 1

Expressed in thousands of NTD

| <u>No.</u> | <u>Creditor</u> | <u>Borrower</u> | <u>General ledger account</u> | <u>Is a related party</u> | <u>Maximum outstanding balance during the year ended December 31, 2022</u> | <u>Balance at December 31, 2022</u> | <u>Actual amount drawn down</u> | <u>Interest Rate</u> | <u>Nature of Loan</u> | <u>Amount of transactions with the borrower</u> | <u>Reason for short-term financing</u> | <u>Allowance for doubtful accounts</u> | <u>Collateral</u> | | <u>Limit on loans ranted to a single party</u> | <u>Ceiling on total loans granted</u> | <u>Footnote</u> |
|------------|----------------------|--------------------------------|-------------------------------|---------------------------|--|-------------------------------------|---------------------------------|----------------------|-----------------------|---|--|--|-------------------|--------------|--|---------------------------------------|-----------------|
| | | | | | | | | | | | | | <u>Item</u> | <u>Value</u> | | | |
| 0 | Huikwang Corporation | Huitex Limited | Other receivables | Y | \$ 100,000 | \$ 100,000 | \$ 74,756 | 1.1%~1.5% | Short-term financing | \$ - | Operating capital | \$ - | — | \$ - | \$ 254,800 | \$ 509,600 | (Note1) |
| | | Hui Kwang (Thailand) Co., Ltd. | Other receivables | Y | 31,862 | 27,860 | 27,860 | — | Business transactions | 29,491 | Business transactions | - | — | - | 29,491 | 509,600 | (Note1) |

(Note 1): Calculations of limit on ceiling on total loans granted is 20% of the Company's net worth;

Limit on loans granted to a single party: (1) For short-term financing: shall not exceed 10% of the creditor's net worth.

(2) For business transaction: shall not exceed the amount of the business transactions between both parties during the most recent year.

(Note 2): Foreign currencies were translated into New Taiwan dollars, with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Huikwang Corporation and Subsidiaries

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2022

Table 2

Expressed in thousands of NTD

| <u>Purchaser/seller</u> | <u>Counterparty</u> | <u>Relationship with the counterparty</u> | <u>Transaction</u> | | <u>Percentage of total purchases (sales)</u> | <u>Credit term</u> | <u>Differences in transaction terms compared to third party transactions</u> | | <u>Notes/accounts receivable (payable)</u> | | <u>Footnote</u> |
|-------------------------|----------------------|--|--------------------|---------------|--|---------------------------------------|--|--------------------|--|--|-----------------|
| | | | <u>(sales)</u> | <u>Amount</u> | | | <u>Unit price</u> | <u>Credit term</u> | <u>Balance</u> | <u>Percentage of total notes/accounts ceivable (payable)</u> | |
| Huikwang Corporation | HKC (Shanghai), Ltd. | An investee company accounted for using equity method by the subsidiary, (Hui Kwang International Co., Ltd.) | (Sales) | (\$ 119,679) | (6%) | 90 days after monthly billings by T/T | \$ - | (Note 1) | \$ 15,587 | 2% | — |
| | | | Purchases | 158,888 | 10% | 30 days after monthly billings by T/T | | (Note 2) | (7,840) | (10%) | — |

(Note 1): The collection terms for general foreign customers were L/C at sight to 180 days or T/T within 180 days after monthly billings. The collection terms for general domestic customers were obtaining a 3~4 months promissory note after the completion of sales and monthly billings or T/T within 180 days after monthly billings.

(Note 2): The payment terms were L/C 180 days for general foreign suppliers and obtaining a 2~3 months promissory note after monthly billings for general domestic suppliers.

(Note 3): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Huikwang Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2022

Table 3

Expressed in thousands of NTD

| <u>Number</u> <u>(Note 2)</u> | <u>Company name</u> | <u>Counterparty</u> | <u>Relationship</u> <u>(Note 3)</u> | <u>General ledger account</u> | <u>Amount</u> | <u>Transaction</u> | | <u>Percentage of consolidated total operating revenues or total assets (Note 4)</u> |
|----------------------------------|----------------------|--------------------------------|--|-------------------------------|---------------|--|--|---|
| | | | | | | <u>Transaction terms</u> | | |
| 0 | Huikwang Corporation | HUI KWANG (THAILAND) CO., LTD. | 1 | Sales | (\$ 29,491) | 180 days after monthly billings by T/T | | (1%) |
| | | | 1 | Accounts receivable | 25,424 | — | | 1% |
| | | | 1 | Other receivables | 27,860 | — | | 1% |
| | | HKC (Shanghai), Ltd. | 1 | Sales | (119,679) | 90 days after monthly billings by T/T | | (5%) |
| | | | 1 | Purchases | 158,888 | 30 days after monthly billings by T/T | | 6% |
| | | | 1 | Accounts receivable | 15,587 | — | | — |
| | | | 1 | Purchases | 14,245 | 90 days after monthly billings by T/T | | 1% |
| | | HUITEX Limited | 1 | Other receivables | 74,829 | — | | 2% |

(Note 1): As the amounts and counterparties of significant inter-company transactions are the same from the opposite transaction sides, no disclosure is required. Only transactions amounting to more than \$10,000 are disclosed.

(Note 2): The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

(Note 3): Relationship between transaction company and counterparty is classified into the following three categories:

1. Parent company to subsidiary.
2. Subsidiary to parent company
3. Subsidiary to subsidiary.

(Note 4): Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

(Note 5): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; RMB: NTD 1: 4.413.

Table 4

Huikwang Corporation and Subsidiaries
Information on investees
For the year ended December 31, 2022

Expressed in thousands of NTD

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2022 | | | Net profit (loss) of the investee for the year ended December 31, 2022 | Investment income (loss) recognised for the year ended December 31, 2022 | Footnote |
|----------------------|-----------------------------------|------------------------|---|---------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|--|------------|
| | | | | Balance as at December 31, 2022 | Balance as at December 31, 2021 | Number of shares | Ownership (%) | Book value | | | |
| Huikwang Corporation | HUI KWANG INTERNATIONAL CO., LTD. | Republic of | General investment | \$ 227,398 | \$ 227,398 | 6,619,140 | 100.00 | \$ 463,407 | \$ 37,995 | \$ 33,644 | Subsidiary |
| Huikwang Corporation | HUI KWANG (THAILAND) CO., LTD. | Mauritius Thailand | Chemicals, pesticides, fertilizer, plant growth enhancers and other import and export trade | 815 | 815 | 50,000 | 100.00 | (16,963) | (3,959) | (4,300) | Subsidiary |
| Huikwang Corporation | HKC AGROSCIENCE SDN. BHD. | Malaysia | Import and export trade and marketing of pesticide products | 200 | 200 | 20,000 | 100.00 | (1,006) | (17) | (17) | Subsidiary |
| Huikwang Corporation | Tellus, Inc. | British Virgin Islands | General investment | 200,563 | 200,563 | 6,650 | 100.00 | 168,532 | (5,669) | (6,577) | Subsidiary |
| Tellus, Inc. | HUITEX Limited | Thailand | Manufacturing of geosynthetics, etc. | 184,139 | 184,139 | 2,100,000 | 100.00 | 162,357 | (5,669) | (Note 1) | Subsidiary |

(Note 1): According to the related regulations, it is not required to disclose income (loss) recognised by the Company.

(Note 2): Foreign currencies were translated into New Taiwan dollars, with exchange rate as of December 31, 2022 as follows: USD: NTD 1: 30.71; THB: NTD 1: 0.8941; MYR: NTD 1 : 6.699.

Huikwang Corporation and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 5

| | | | | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2022 | | | | | | Expressed in thousands of NTD | | | |
|-------------------------------|--|----------------------------|------------------------------|--|----------------------------------|-------------------------------|--|---|--|--|--|---|----------|
| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022 | Remitted to Mainland China | Remitted back to Taiwan | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 | Net income of investee for the year ended December 31, 2022 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2022 | Book value Of investments In Mainland China as of December 31, 2022 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022 | Footnote |
| HKC (Shanghai), Ltd. | Manufacturing of micronutrient fertilizer and organic fertilizer, glyphosate, methomyl, and other new coating materials, geosynthetics, etc. | \$ 227,254 | (Note 1) | \$ 202,686 | \$ - | \$ - | \$ 202,686 | \$ 37,995 | 100.00 | \$ 37,995 | \$ 472,565 | \$ 600,073 | (Note 2) |
| <u>Company name</u> | <u>Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022</u> | <u>Paid-in capital</u> | <u>Investment method</u> | <u>Investment amount approved by the vestment Ceiling on Commission investments of the in Mainland Ministry of China by the Economic Affairs Commission (MOEA) of MOEA (Note 3) (Note 4)</u> | | | | | | | | | |
| Huikwang Corporation | \$ 202,686 | \$ 276,390 | | \$ 1,528,799 | | | | | | | | | |

(Note 1) Through investing in an existing company (Hui Kwang International Co., Ltd.) in the third area, which then invested in the investee in Mainland China.

(Note 2): The paid-in capital of HKC (Shanghai), Ltd. includes the indirect investment through Hui Kwang International Co., Ltd. using the earnings of \$73,704 (USD\$ 2,400 thousand) distributed by HKC (Shanghai), Ltd.

(Note 3): The amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) in accordance with Jing-Shen-II-Zi No. 09600471590 includes the indirect investment in the investee in Mainland China through Hui Kwang International Co., Ltd. using the earnings of \$73,704 (USD\$ 2,400 thousand) distributed by HKC (Shanghai), Ltd.

(Note 4): The ceiling amount is calculated based on the 60% of the net assets or consolidated net assets (whichever is higher).

(Note 5): Foreign currencies were translated into New Taiwan dollars with exchange rate as of December 31, 2022 as follows: USD: NTD 1:30.71; RMB: NTD 1:4.413.

Huikwang Corporation and Subsidiaries

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the year ended December 31, 2022

Table 6

Expressed in thousands of NTD

| | <u>Sale (purchase)</u> | | <u>Property transaction</u> | | <u>Accounts receivable (payable)</u> | | <u>Provision of endorsements/guarantees or collaterals</u> | | <u>Financing</u> | | | | |
|-----------------------------------|------------------------|----------|-----------------------------|----------|--------------------------------------|----------|--|----------------|--|-------------------------------------|----------------------|---|---------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Balance at December 31, 2022</u> | <u>%</u> | <u>Balance at December 31, 2022</u> | <u>Purpose</u> | <u>Maximum balance during the year ended December 31, 2022</u> | <u>Balance at December 31, 2022</u> | <u>Interest rate</u> | <u>Interest during the year ended December 31, 2022</u> | <u>Others</u> |
| <u>Investee in Mainland China</u> | | | | | | | | | | | | | |
| HKC (Shanghai), Ltd. | \$ 119,679 | 6 | \$ - | - | \$ 15,587 | 2 | \$ - | - | \$ - | \$ - | - | \$ - | \$ - |
| | (158,888) | (10) | - | - | (,840) | (26) | - | - | - | - | - | - | - |

Huikwang Corporation and Subsidiaries

Major shareholders information

December 31, 2022

Table 7

Unit: shares

| <u>Name of major shareholders</u> | <u>Number of shares</u> | | <u>Ownership</u> | <u>Footnote</u> |
|-----------------------------------|-------------------------|--------------------------|------------------|-----------------|
| | <u>Common shares</u> | <u>Preference shares</u> | | |
| Huikwang Investment Corporation | 15,343,113 | - | 17.82% | — |
| Chen Rong-Dong | 7,986,746 | - | 9.28% | — |

Note: The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference of calculation basis.

6. Where the Company and its affiliated enterprises has encountered difficulties in financial turnover in the Most Recent Year and as of the Publication Date of this Annual Report, its impact on financial situation of the Company shall be specified: None.

VII. Review of Financial Conditions and Financial Performance, and Risk Management Thereof

1. Financial Conditions: Main Reasons, Effects and Future Response Plans for the Material Changes in the Company' Assets, Liabilities and Shareholders' Equity in the Most Recent 2 Years

(1) Comparison and Analysis Table of Financial Conditions:

Unit: NT\$ thousands

| Items | Year | | Difference | | Remarks |
|---|-----------|-----------|------------|---------|---------|
| | 2022 | 2021 | Amount | % | |
| Current Assets | 2,383,648 | 2,238,476 | 145,172 | 6.49% | |
| Property, Plant and Equipment | 684,192 | 708,116 | -23,924 | -3.38% | |
| Other Assets | 190,991 | 236,543 | -45,552 | -19.26% | |
| Total Assets | 3,258,831 | 3,183,135 | 75,696 | 2.38% | |
| Current Liabilities | 630,101 | 633,458 | -3,357 | -0.53% | |
| Non-current Liabilities | 80,731 | 97,325 | -16,594 | -17.05% | |
| Total Liabilities | 710,832 | 730,783 | -19,951 | -2.73% | |
| Share Capital | 860,612 | 856,702 | 3,910 | 0.46% | |
| Capital Surplus | 210,106 | 196,666 | 13,440 | 6.83% | |
| Retained Earnings | 1,563,143 | 1,504,600 | 58,543 | 3.89% | |
| Total of Shareholders' | 2,547,999 | 2,452,352 | 95,647 | 3.90% | |
| Explain the main reasons for the major changes in the Company's assets, liabilities, and equity items in the last two years (the changes in the previous and later periods amounted to more than 20%, and the amount of changes reached NT\$10 million): None. | | | | | |

2. Financial Performance: Main Reasons, Expected Sales Volume and Its Foundation, and Potential Influences to Finance and Sales in the Future to and Response by the Company for the Material Changes in the Company's Operating Revenue, Operating Income and Income before Tax in the Most Recent 2 Years

(1) Comparison and Analysis Table of Financial Performance

Unit: NT\$ thousands

| Items | Year | | Amount | Percentage (%) |
|--|-----------|-----------|----------|----------------|
| | 2022 | 2021 | | |
| Operating Revenue | 2,491,218 | 2,088,965 | 402,253 | 19.26% |
| Operating Cost | 1,883,395 | 1,545,559 | 337,836 | 21.86% |
| Operating Gross Profit | 607,823 | 543,406 | 64,417 | 11.85% |
| Operating Expense | 316,386 | 305,322 | 11,064 | 3.62% |
| Income from Operations | 296,243 | 241,774 | 54,469 | 22.53% |
| Non-operating Income and Expenses | 100,356 | 230,196 | -129,840 | -56.40% |
| Income before Tax | 396,599 | 471,970 | -75,371 | -15.97% |
| Income Tax Expense | 82,137 | 142,892 | -60,755 | -42.52% |
| Net Profit for the Current Period | 314,462 | 329,078 | -14,616 | -4.44% |
| Net Other Comprehensive Income after Tax | 20,846 | -26,507 | 47,353 | -178.64% |
| Total Comprehensive Income | 335,308 | 302,571 | 32,737 | 10.82% |
| Net Income Attributable to Shareholders of the Parent | 314,462 | 329,078 | -14,616 | -4.44% |
| Analysis of financial ratio differences for the last two years, where the difference is 20% and more: | | | | |
| 1. Operating Cost, Operating Profit: The increase in operating costs and operating profit is primarily due to the growth in demand for Plant Protection Agent in South America and increased revenue from Geosynthetics materials in the current period. | | | | |
| 2. Non-operating Income and Expenses, Income Tax: The increase in non-operating income and expenses and income tax is primarily attributed to the completion of the government expropriation of Zhejiang Huikwang, which resulted in the recognition of benefits from the sale of assets. This led to an increase in income tax expenses in the current period. | | | | |
| 3. Net Other Comprehensive Income after Tax: The fluctuation in exchange rates between the reporting currency and the functional currency of the invested company primarily contributed to the net other comprehensive income after tax. | | | | |

(2) Expected Sales Volume and Its Foundation: Please refer to Business Plans Summary under Report to the Shareholders of this Annual Report.

(3) Potential Influences to Finance and Sales in the Future and Response: Please refer to section Market and Sales Overview under Operation Highlight of this Annual Report.

3. Cash Flows

(1) Analysis on Changes in Cash Flow in the Most Recent Year

| Items \ Year | 2022 | 2021 | Increase (Decrease) Percentage% |
|---|-------|--------|---------------------------------------|
| Cash Flow Ratio | 21.6 | -13.7 | 257.66% |
| Cash Flow Adequacy Ratio | 88.87 | 101.59 | -12.52% |
| Cash Reinvestment Ratio | -3.44 | -6.6 | 47.88% |
| Analysis of Changes in Cash Flows: Cash Flow Ratio, Cash Reinvestment Ratio: Excluding the recognition of benefits from the sale of assets due to the government expropriation of Zhejiang Huikwang in the previous period, the net profit decreased compared to the current period. Additionally, in the previous period, income tax was paid on the benefits from the expropriation, while this was not the case in the current period. As a result, the cash inflow from operating activities increased in the current period compared to the previous period, leading to an improvement in the Cash Flow Ratio. | | | |

(2) Analysis on Cash Fluidity in the Upcoming Year

Unit: NT\$ thousands

| Cash Balance at the Beginning of the Year (1) | Estimated Net Cash Flow from Operating Activities throughout the Year (2) | Estimated Cash Outflow throughout the Year (3) | Cash Surplus (1)+(2)-(3) | Leverage of Cash Surplus | |
|--|---|--|--------------------------|--------------------------|-----------------|
| | | | | Investment Plans | Financing Plans |
| \$ 593,791 | \$ 348,954 | \$ 257,330 | \$ 685,415 | - | - |
| Analysis: There will be no circumstances of cash deficit in the upcoming year. | | | | | |

4. Influence on Company Finance by Significant Capital Expenditure in the Most Recent Year

- (1) Utilization Status and Source of Capital for the Significant Capital Expenditure: None
- (2) Anticipated Effects by Significant Capital Expenditure: None

5. Re-investment Policies in the Most Recent Year, Main Reason(s) for the Profit or Loss of Such Re-investment, Improvement Plans, and Investment Plans in the Upcoming Year

(1) Re-investment Policies in the Most Recent Year:

The Company's recent investment policy is to evaluate and invest in companies that have relevant business connections with the Company or can positively contribute to the Company's business development, both in the present and future.

(2) Profit or Loss of Such Re-investment:

With respect to long-term equity companies in 2022 recognized under the equity method of the Company, the companies recorded a return on investment by 22,750 in 2022 under the effective management and administration.

(3) Investment Plans in the Upcoming Year: None.

6. Analysis and Estimation on Risk Matters of the Company in the Most Recent Year and as of the Publication Date of this Annual Report

(1) Effects on the Company's Profit (Loss) and Response for Interest Rate, Changes in Exchange Rate, and Inflation:

1. Effects on Profit (Loss) of the Company

| Items | 2022 (thousand) |
|---|-----------------|
| Interest Expenditure | 3,003 |
| (Loss) Gain from Exchange | 103,616 |
| Ratio of Interest Expenditure to Net Operating Revenue | 0.12% |
| Ratio of Interest Expenditure to Pre-tax Income | 0.76% |
| Ratio of (Loss) Gain from Exchange to Net Operating Revenue | 4.16% |
| Ratio of (Loss) Gain from Exchange to Pre-tax Income | 26.13% |

(1) Changes in Interest Rate: The Company evaluates the interest rates from borrowings of banks on a regular basis, and keeps close tabs on interest rates through frequent correspondences with the banks for a more preferred interest rate for borrowings

(2) Changes in Exchange Rate: To strengthen management of risks from exchange rate fluctuations and reduce the effects on the Company's revenue and profit by the changes in exchange rate, the Company has adopted the following responses:

1. The Finance Department of the Company notes the updates concerning the changes in the foreign exchange market and keeps benign interactions with banks to obtain foreign exchange information and professional consultancy at a timely manner and to grasp the trend of exchange rate, thereby reducing the effects relating to changes in exchange rate.

2. The Company has opened deposit (borrowing) accounts for foreign currencies, with dispositions including sales of foreign currencies obtained from material purchase payments or conversion to repayment of bank loans by the Finance Manager depending on actual needs of funds and trend of foreign exchange; on the other hand, the Finance Manager makes decisions on the handling of foreign currencies through sales for Taiwanese Dollars or deposit to foreign deposit accounts to adequately adjust foreign currency positions.

3. Adjustment factors including prices and costs associated with changes in exchange rate are factored in during oversea sales, import, procurement and quotations of the Company's to warrant a reasonable profit.

(3) Inflation: There has not been any material effect on the Company's profit or loss as raw materials required by the Company in production are of stable price and the inflation in recent years develop in a gentle incrementation. Furthermore, the Company has progressively adopted a conservative and firm operation, which allows the Company to respond to influences by inflation in the future.

(2) Main Reasons and Response Relating to Engagement in High-Risk-and-Leverage Investments, Loan of Funds to Others, Policies for Endorsement and Guarantee to Others and Trading of Derivatives, and Profit of Loss:

1. Engagement in High-Risk-and-Leverage Investments

The Company does not engage in high-risk-and-leverage investments due to its focus on the business operations within its original scope and its conservative and firm operations as principle.

2. Loan of Funds to Others and Endorsement and Guarantee

In response to requirements from Group operations and as mandated by the competent authority, the Company has adopted relevant regulations including "Operational Procedure for Loaning of Funds to Others" and "Operational Procedure for Endorsement and Guarantee" as foundation for implementations. Meanwhile, relevant risk assessments and controls are made based on provisions of the said Operational Procedure.

The loan of funds to others in 2022 is as follows:

Unit: NT\$ thousands

| Counterparty of Loan | | Cap of Loan to Individual Company | Cumulative Maximal Balance | Ending Balance | Actual Expenditure |
|--------------------------------|---|-----------------------------------|----------------------------|----------------|--------------------|
| Name of Company | Relationship with the Company | | | | |
| Hui Kwang (Thailand) Co., Ltd. | A company invested by the Company rated under the equity method | 29,491 | 31,862 | 27,860 | 27,860 |
| HUITEX | A company invested by the Company rated under the equity method | 254,800 | 100,000 | 100,000 | 74,756 |

1. Derivatives Transactions: The Company did not engage in any transactions of derivatives.

(3) Future R&D Plans and Estimated R&D Expenses

March 31, 2023 Unit: NT\$ thousands

| R&D Plan | Progress | Further Contribution of R&D Expense | Estimated Period for Mass Production Completion |
|---|---|-------------------------------------|---|
| Development of New Agro-pesticide Preparation Products | Manufacturing Process Research and Production Quantification | 20,000 | Q3 2023 |
| Optimization of Manufacturing Process for Mass-Production Products | Manufacturing Process Optimization and Cost Reduction | 6,000 | Q3 2023 |
| Development of Manufacturing Process for the New Technical Grade Agro-pesticide Product | Manufacturing Process Research and Production Quantification | 10,000 | Q4 2023 |
| Development of Manufacturing Process for the New Fine Chemicals Product | Manufacturing Process Research and Production Quantification | 10,000 | Q3 2023 |
| Enhancement of Formula for Geomembrane in Response to Climate Change | Selection and Testing of Raw Materials and Additives | 3,000 | Q2 2023 |
| Development of Degradable Geomembrane | Continued Formula Development, Testing at the Laboratory, and Trial Production at the Production Line | 3,000 | Q4 2023 |
| High-Performance Geocells | Improvement of Manufacturing Process Production | 6,000 | Q4 2024 |
| Multi-layered and Multi-functional Materials | Material and Formula Development | 3,000 | Q4 2024 |

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

There is no occurrence of matters having effects on the Company's finance and sales in the most recent year and as of the publication date of this Annual Report, which results from changes in policies and regulations.

(5) Effects of and Response to Changes in Technology (Including AIS security risks) and the Industry Relating to Corporate Finance and Sales: None.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The Company has adhered to its management philosophy of legal compliance, integrity and fulfillment of environmental protection in its operations, and has built a corporate image featuring pragmatism, benefitting the mass, and fulfillment of social responsibilities. There is no event with repercussions to corporate image to this date.

- (7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: The Company has no relevant plans currently.
- (8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: The Company has no relevant plans currently.
- (9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:
The largest supplier accounts for 35.26% of the Company's total purchases, and the largest customer accounts for 10.99% of the Company's total sales. Although there are potential concentration with a particular supplier based on the proportions mainly due to price considerations, the Company still has alternative suppliers for the aim of risk diversification.
- (10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%: None.
- (11) Effects of, Risks Relating to and Response to the Changes in Management Rights: None.
- (12) If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company and a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending up to the date of publication of this Annual Report: None.
- (13) Other Important Risks and Countermeasures:
Cyber Security Policies and Concrete Management Plans:
To ensure the security of confidential information for both the company and its customers, The Company's General Management Division is responsible for cyber security management and supervision. The Company has established the "Computerized Information System Handling Management Measures" to define the management procedures and regulations for the protection of confidential information, and to build comprehensive cyber security defense capabilities. It also aims to enhance employees' correct understanding and awareness of cyber security protection to reduce the risk of confidential information leakage.
In alignment with the Company's cyber security policy, the following key areas are strengthened:
1. Strengthening the maintenance of information system security: External measures include the application of firewalls and enabling intrusion detection and defense functions; internally, authentic antivirus software is obtained and installed to prevent computer virus attacks. Furthermore, regular evaluations of software and hardware information equipment performance are conducted, and updates and patches are implemented as necessary.
 2. Keeping up with emerging trends in cyber security: The Company participates in cyber security seminars and exchanges with vendors, regularly monitors cyber security issues, and promptly develops corresponding measures.

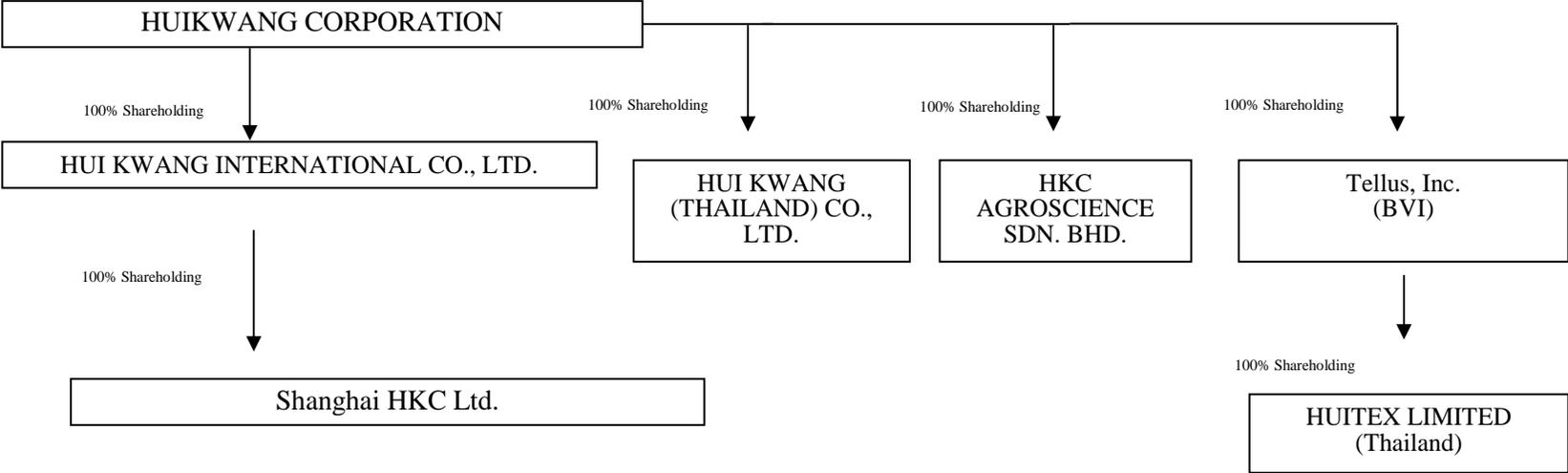
7. Other Important Matters: None.

VIII. Special Disclosure

1. Summary of Affiliated Enterprises:

(1) Consolidated Business Report of Affiliate Enterprises:

1. Organizational Chart of the Affiliated Enterprises



2. The Name, Incorporation Date, Paid-in Capital and Main Business Items of Each Affiliated Enterprise

| Name of Enterprise | Incorporation Date | Address | Paid-in Capital | Main Business or Production Items |
|----------------------------------|--------------------|--|--------------------|---|
| HuiKwang International Co., Ltd. | 2002.10.15 | Suite 802, St James Court St Denis Street, Port Louis, Mauritius | USD 6,619 thousand | General Investment Businesses |
| Hui Kwang (Thailand) Co., Ltd. | 1990.07.02 | 2922/247 CHARN ISSARA TOWER 2, NEW PETCHBURI RD., BENGKAPI HUAY | THB 5,000 thousand | Import and Export of Chemicals, Agro-pesticides, Fertilizers, Plant Growth Enhancer and Others |
| Shanghai HKC Ltd. | 1994.09.12 | No. 2701, Hang Tang Rd., Tai Ri Township, Feng Xian Dist., Shanghai City | USD 7,400 thousand | Production of micro-fertilizers and organic fertilizers, glyphosate, methomyl preparations, etc., as well as new types of coatings, geosynthetics, etc. |
| HKC AGROSCIENCE SDN.BHD. | 2010.04.08 | 177A, LRG 7D, SUBANG 40150 SHAH ALAM, SELANGOR D.E. MALAYSIA | RM 20 thousand | Import and Export Trading and Marketing of Agro-pesticide Products |
| Tellus, Inc.. | 2018.06.07 | Jipfa Building, 3rd floor, Main Street, Road Town, Tortola, British Virgin Islands | USD 6,650 thousand | General Investment Businesses |
| HUITEX LIMITED | 2018.08.01 | 2922/247 CHARN ISSARA TOWER 2, NEW PETCHBURI RD., BENGKAPI HUAY | USD 6,650 thousand | Production of Geosynthetics |

3. Information of Shareholders in Common for Affiliate Enterprise(s) presumed to have a relationship of Control or Subordination with the Company: None.

4. The Industries Covered by the Business Operated by Affiliate Enterprises Overall

| Enterprise Name | Industries Covered by Operations | Status of Correspondence and Division of Labor, where the operations are correlated |
|----------------------------------|---|---|
| HuiKwang International Co., Ltd. | General Investment Businesses | None |
| Hui Kwang (Thailand) Co., Ltd. | Import and Export of Chemicals, Agro-pesticides, Fertilizers, Plant Growth Enhancer and Others | Important sales location of the Company in Southeast Asia |
| Shanghai HKC Ltd. | Production of micro-fertilizers and organic fertilizers, glyphosate, methomyl preparations, etc., as well as new types of coatings, geosynthetics, etc. | To reduce production costs, after receiving orders, Shanghai HKC coordinates with production capacity and production processes. Some products are produced by Shanghai HKC, while others are procured on behalf of the Company. |
| HKC AGROSCIENCE SDN.BHD. | Import and Export Trading and Marketing of Agro-pesticide Products | Important sales location of the Company in Southeast Asia |
| Tellus, Inc. | General Investment Businesses | None |
| HUITEX LIMITED | Production of Geosynthetics | Important production base for supplies to ASEAN countries |

5. Information of Directors, Supervisors and General Manager of Each Affiliated Enterprise

Unit: NT\$ thousand; Shares; %

| Name of Enterprise | Title | Name or Representative | Shares Held (Note 2) (Note 3) | |
|-----------------------------------|-----------------|---|-------------------------------|-------------------------|
| | (Note 1) | | Shares | Shareholding Percentage |
| Hui Kwang International Co., Ltd. | Director | HUIKWANG CORPORATION (Representative: Jung-Tung Chen) | 6,619,140 shares | 100.00% |
| Hui Kwang (Thailand) Co., Ltd. | Director | HUIKWANG CORPORATION (Representative: Jung-Tung Chen, Kuan-Hua Chen, Jia-Jun Lin) | 50,000 shares | 100.00% |
| | General Manager | Jia-Jun Lin | | |
| Shanghai HKC Ltd. | Chairman | Hui Kwang International Co., Ltd. (Representative: Jung-Tung Chen) | 227,291 thousand | 100.00% |
| | Director | Hui Kwang International Co., Ltd. (Representative: Kuan-Hua Chen, Zheng-Xi Cheng) | | |
| | Supervisor | Hui Kwang International Co., Ltd. (Representative: Anita Chu) | | |
| | General Manager | Zheng-Xi Cheng | | |
| HKC AGROSCIENCE SDN.BHD. | Director | HUIKWANG CORPORATION (Representative: Jung-Tung Chen) | 20,000 shares | 100.00% |
| | General Manager | Yung-Yu Chen | | |
| Tellus, Inc. | Director | HUIKWANG CORPORATION (Representative: Kuan-Hua Chen) | 6,650 shares | 100.00% |
| HUITEX LIMITED | Director | HUITEX TECHNOLOGY INC. (Representative: Kuan-Hua Chen, Jin-Tai Lin, Jia-Long Chuang) | 2,100,000 shares | 100.00% |
| | General Manager | Jin-Tai Lin | | |

Note 1: Where the affiliate enterprise is a foreign company, list the title of the equivalent role.

Note 2: Where the invested company is a company limited by share, enter shares and shareholding percentage. For other types of company, enter amount and proportion of capital contribution.

Note 3: Where the affiliate enterprise is a foreign company, its contribution shall be listed in New Taiwan Dollar converted from historical exchange rate(s).

6. Operating Overview of Affiliated Enterprises

December 31, 2022 Unit: NT\$ thousand

| Name of Enterprise | Capital (Note 1) | Total Assets (Note 2) | Total Liabilities (Note 2) | Net Worth | Operating Revenue (Note 2) | Operating Income (Note 2) | Income for the Period (after-tax) (Note 2) | Earnings (Loss) per Share (NT\$) (after tax) (Note 2) |
|-----------------------------------|---------------------|--------------------------|----------------------------------|-----------|----------------------------------|---------------------------------|---|---|
| Hui Kwang International Co., Ltd. | 197,742 | 472,593 | — | 472,593 | — | 37,995 | 37,995 | 1.92 |
| Hui Kwang (Thailand) Co., Ltd. | 4,824 | 46,211 | 61,899 | -15,688 | 36,295 | -3,966 | -3,959 | -8.21 |
| Shanghai HKC Ltd. | 227,254 | 587,600 | 123,306 | 464,294 | 607,356 | 30,638 | 37,995 | — |
| HKC AGROSCIENCE SDN.BHD. | 183 | — | 1,006 | -1,006 | — | -27 | -17 | -0.93 |
| Tellus, Inc. | 200,563 | 169,655 | — | 169,655 | — | — | -5,669 | -0.28 |
| HUITEX LIMITED | 184,139 | 247,457 | 80,142 | 167,315 | 24,967 | -5,756 | -5,669 | -0.31 |

Note 1: Where the affiliate enterprise is a foreign company, its capital shall be listed in New Taiwan Dollar converted from historical exchange rate(s).

Note 2: Where the affiliate enterprise is a foreign company, its Total Assets and Total Liabilities shall be converted into New Taiwan Dollars using the exchange rate on the reporting date; its Operating Revenue, Operating Profit, and Net Income for the period shall be converted into New Taiwan Dollars using the average exchange rate for the year.

(2) Consolidated Financial Statements of Affiliate Enterprises:

HUIKWANG CORPORATION

Statement on Consolidated Financial Statements of Affiliate Enterprises

The Company hereby states that the companies to be included in the 2022 (from January 1 to December 31) Consolidated Financial Reports of Affiliate Enterprises prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to those required to be included in the preparation of the consolidated financial statements for the parent company and subsidiaries under IFRS 10; meanwhile, no additional Consolidated Financial Statements for Affiliate Enterprises will be prepared as information of such statement has been disclosed via the aforementioned consolidated financial statements for the parent company and subsidiaries.

Name of Company: HUIKWANG CORPORATION



Person in Charge: Kuan-Hua Chen



March 27, 2023

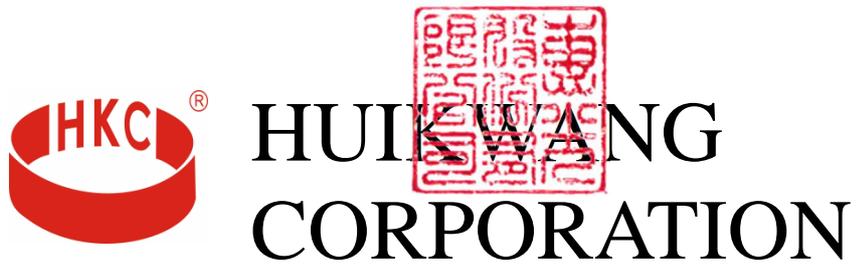
(3) Relationship Report: None.

2. Implementation Status of Private Placement of Securities in the most recent year and as of the Publication Date of this Annual Report: None.

3. Acquisition or Disposal of the Company's Stock by the Subsidiaries in the most recent year and as of the Publication Date of this Annual Report: None.

4. Other Matters Requiring Supplementary Descriptions: None.

IX. Matters in the most recent year and as of the Publication Date of this Annual Report having Material Impacts on Shareholders' Equities or Securities Price provided for in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act: None.



Chairman Kuan-Hua Chen

