Stock Code：1536

Hota Industrial Manufacturing Company and Subsidiaries

Consolidated Financial Statements for the years ended December 31, 2024 and 2023 with Independent Auditors’ Report

Address: No. 115 Rd. Ren Hua, Dali District, Taichung

Tel: (04)2491-2191

Hota Industrial Manufacturing Company Limited

REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the years ended December 31, 2024 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Hota Industrial Manufacturing Company Limited

Chairman：Shen, Kuo-Rong

March 13, 2025

Independent Auditors' Report

To: Hota Industrial Manufacturing Company

Opinion

We have audited accompanying consolidated financial statements of Hota Industrial Manufacturing Company and subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits entrusted by the Group in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Cut-off of revenue from exporting sales</u>

The operating revenue of Hota Industrial Manufacturing Company and subsidiaries for the year ended December 31, 2024 amounted to NT$5,774,470 thousand. Hota Industrial Manufacturing Company and subsidiaries primarily acquire operating revenue from the manufacturing and trading of related products for vehicle transmission parts. Sales contracts include various terms and conditions. However, the Hota Industrial Manufacturing Company and subsidiaries recognize sales revenue immediately after shipment, and reverse the sales revenue at the end of each period for the portion that ownership of the products has not been transferred to the buyer due to the failure of fulfilling the agreed trading conditions which resulting in control of the product not yet being transferred to the buyer. As the data collection for the portion that does not meet the sales revenue recognition conditions involves a high degree of manual judgment and operation, we have included the cut-off of revenue from exporting sales as a key audit matter.

Our audit procedures include (but are not limited to) obtaining an understanding and assessing the operational procedures and internal control of sales transactions of Hota Industrial Manufacturing Company and subsidiaries, and testing the control; implementing cut-off test to the sales transactions during a certain period before and after the end of the reporting date, and randomly inspecting significant transactions, checking the transaction conditions in the contracts and verifying with relevant documents, to judge and determine the contractual obligation and the time point of fulfilling it and confirm whether revenue is recognized in the appropriate period.

We also consider the appropriateness of the disclosure of sales revenue in Note 5 and Note 6 in the consolidated financial statements.

Evaluation of allowances for inventory valuation and obsolescence losses

The net inventories of Hota Industrial Manufacturing Company and subsidiaries as of December 31, 2024 amounted to NT$2,867,742 thousand, accounting for 13% of total consolidated assets. Hota Industrial Manufacturing Company and subsidiaries are primarily engaged in the manufacturing and trading of related products for vehicle transmission parts. Due to the fierce competition in the automotive transmission parts market, there is a higher risk of inventory valuation and obsolescence losses. Therefore, allowances for inventory valuation and obsolescence losses are provided based on the level of destocking for inventories with ages exceeding a specific period, and inventories individually identified obsolescent. As the determination of obsolescent inventories and the net realizable value adopted in valuation usually involve subjective judgement, there is high estimate uncertainty. In consideration of inventories and allowances for inventory valuation and obsolescence losses being material to the financial statements, we identified this is a key audit matter.

Our audit procedures include (but are not limited to) obtaining an understanding and assessing the operational procedures and internal control of evaluation and provision of allowances for inventory valuation and obsolescence losses, and testing the control; obtaining inventory aging report, randomly inspect inventory items and testing the correctness of the calculating logic of inventory aging and information; discussing with the management and obtaining supporting documents about net realizable values evaluated for inventory items, and evaluating the rationality of the provision of allowances for inventory valuation and obsolescence losses; obtaining the data of inventory quantity at the end of the period, and comparing with annual physical inventory list, to verify the existence and completeness of inventories at the end of the period; observing annual inventory count and obtaining an understanding to the status of inventories, to evaluate the appropriateness of loss allowances for obsolescent and damaged inventories.

We also consider the appropriateness of the disclosure of inventories in Note 5 and Note 6 in the consolidated financial statements.

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 for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to the 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 for the year ended

December 31, 2024 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.

Others

We and other auditors have audited the parent company only financial statements of Hota Industrial Manufacturing Company and subsidiaries as of and for the years ended December 31, 2024 and 2023 on which we and other auditors have issued an unqualified opinion with other matter paragraph, for your reference.

Ernst & Young
Audit and attestation to the financial reports of public companies have been approved by the competent authorities
Reference Number of the Audit and Attestation: No. Financial-Supervisory-Securities-Auditing - 1030025503
No. Financial-Supervisory-Securities-Auditing - 1120349153

Huang, Zi-Ping

CPA：

Huang, Jing-Ya

March 13, 2025

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated balance sheets
December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Assets			December 31, 2024		December 31, 2023	
Code	Accounting items	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6.1	$773,323	3	$784,936	4
1110	Financial assets at fair value through profit or loss－current	4 and 6.2	11,342	-	14,325	-
1120	Financial assets at fair value through other comprehensive income－current	4 and 6.3	113,955	1	90,290	-
1136	Financial assets at amortized cost－current	4 and 6.4	263,370	1	46,640	-
1150	Notes receivables, net	4	26,423	-	18,973	-
1170	Accounts receivables, net	4 and 6.5	2,720,676	12	2,624,734	12
1200	Other receivables		26,497	-	96,711	-
130x	Inventories	4 and 6.6	2,867,742	13	3,337,134	15
1470	Other current assets		401,153	2	136,429	1
11xx	Total current assets		7,204,481	32	7,150,172	32
	Non-current assets					
1510	Financial assets at fair value through profit or loss－non-current	4, 6.3, and 14	600	-	-	-
1517	Financial assets at fair value through other comprehensive income－non-current	4 and 6.3	175,543	1	140,640	1
1550	Investments accounted for using equity method	4, 6.7 and 8	320,634	1	305,866	2
1600	Property, plant and equipment	4, 6.8 and 8	13,831,099	62	14,044,490	63
1755	Right-of-use assets	4 and 6.22	305,356	1	332,430	1
1760	Investment properties, net	4 and 6.9	193,673	1	30,387	-
1780	Intagible assets	4	5,502	-	7,950	-
1840	Deferred tax assets	4 and 6.26	47,987	-	48,391	-
1900	Other non-current assets	6.10	357,622	2	266,945	1
15xx	Total non-current assets		15,238,016	68	15,177,099	68
1xxx	Total assets		$22,442,497	100	$22,327,271	100

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

Chairman：Shen, Guo-Rong   Manager：Chen, Jun-Zhi   Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated balance sheets (cont.)
December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Liabilities and equity			December 31, 2024		December 31, 2023	
Code	Accounting items	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4 and 6.11	$2,834,642	13	$2,169,484	10
2110	Short-term notes payables	4 and 6.12	900,000	4	1,000,000	5
2150	Notes payables		453,720	2	423,851	2
2170	Accounts payables	4	289,099	1	508,130	2
2200	Other payables	6.13	296,579	1	492,177	2
2230	Current income tax liabilities		2,891	-	98,328	-
2280	Lease liabilities－current	4 and 6.22	13,031	-	22,613	-
2322	Long-term borrowings, current portion	4 and 6.14	1,544,738	7	1,390,203	6
2399	Other current liabilities		85,179	1	146,742	1
21xx	Total current liabilities		6,419,879	29	6,251,528	28
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	4 and 6.14	8,250	-	-	-
2530	Bond payables	4 and 6.14	1,414,657	6	-	-
2540	Long-term borrowings	4 and 6.15	5,242,253	23	6,808,631	30
2570	Deferred tax liabilities	4 and 6.26	59,889	-	22,953	-
2580	Lease liabilities－non-current	4 and 6.22	236,056	1	274,435	1
2600	Other non-current liabilities		113,246	1	127,848	1
25xx	Total non-current liabilities		7,074,351	31	7,233,867	32
2xxx	Total liabilities		13,494,230	60	13,485,395	60
31xx	Equity attributable to shareholders of the parent					
3100	Capital stock					
3110	Common stock	6.18	2,795,175	12	2,795,175	13
3200	Capital surplus	6.18	3,908,804	17	3,833,804	17
3300	Retained earnings	6.18				
3310	Legal reserve		836,334	4	789,267	4
3320	Special reserve		112,608	1	95,158	-
3350	Unappropriated earnings		1,175,298	5	1,322,676	6
	Total retained earnings		2,124,240	10	2,207,101	10
3400	Other equity		(798)	-	(112,607)	(1)
31xx	Total equity attributable to shareholders of the parent		8,827,421	39	8,723,473	39
36xx	Non-controlling interests	6.19	120,846	1	118,403	1
3xxx	Total equity		8,948,267	40	8,841,876	40
3x2x	Total liabilities and equity		$22,442,497	100	$22,327,271	100

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

Chairman：Shen, Guo-Rong   Manager：Chen, Jun-Zhi   Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated statements of comprehensive income
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Code	Accounting items	Note	For the year ended December 31, 2024		For the year ended December 31, 2023	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6.20	$5,774,470	100	$6,599,230	100
5000	Operating costs	6.6 and 23	(5,092,735)	(88)	(5,458,129)	(83)
5900	Gross profit		681,735	12	1,141,101	17
6000	Operating expenses					
6100	Sales and marketing expenses	6.23	(546,258)	(9)	(440,548)	(7)
6200	General and administrative expenses	6.23	(153,978)	(3)	(155,274)	(2)
6300	Research and development expenses	6.23	(95,449)	(2)	(101,390)	(2)
6450	Expected credit impairment losses	4 and 6.21	(21)	-	(28,298)	-
	Total operating expenses		(795,706)	(14)	(725,510)	(11)
6900	Income from operations		(113,971)	(2)	415,591	6
7000	Non-operating income and expenses					
7100	Interest income	4 and 6.24	13,176	-	10,034	-
7010	Other income	4 and 6.24	99,187	2	86,051	1
7020	Other gains and losses	6.24	399,480	7	17,462	1
7050	Finance costs	6.24	(183,527)	(3)	(186,861)	(3)
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	6.7	20,083	-	20,323	-
	Total non-operating income and expenses		348,399	6	(52,991)	(1)
7900	Income before income tax		234,428	4	362,600	5
7950	Income tax expense	4 and 6.26	(38,470)	- 1	(37,937)	(1)
8200	Net income		195,958	3	324,663	4
8300	Other comprehensive income					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	4 and 6.25	$2,279	-	$5,525	-
8316	Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	4, 6.3, and 6.25	29,737	1	4,287	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method－items that will not be	4 and 6.25	8,095	-	(2,746)	-
8349	Income tax related to items that will not be reclassified subsequently	4, 6.25, and 6.26	(473)		(1,140)	
8360	Items that may be reclassified subsequently to profit or loss			-		-
8361	Exchange differences arising on translation of foreign operations	4 and 6.25	30,275	1	(3,131)	-
8367	Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	4 and 6.25	44,986	1	(4,127)	-
8370	Share of other comprehensive income of associates accounted for using equity method	4 and 6.25	51	-	(1,454)	-
8399	Income tax related to items that will be reclassified subsequently	6.25m and 6.26	-	-	(3,306)	-
	Other comprehensive income(net of tax)		114,950	3	(6,092)	-
8500	Total comprehensive income		$310,908	6	$318,571	4
8600	Net income (loss) attributable to：					
8610	Shareholders of the parent		$195,060		$327,211	
8620	Non-controlling interests		898		(2,548)	
			$195,958		$324,663	
8700	Total comprehensive income attributable to：					
8710	Shareholders of the parent		$308,465		$321,035	
8720	Non-controlling interests		2,443		(2,464)	
			$310,908		$318,571	
	Earnings per share(NT$)	4 and 6.27				
9750	Basic earnings per share		$0.70		$1.17	
9850	Diluted earnings per share		$0.70		$1.17	

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

Chairman：Shen, Guo-Rong　　Manager：Chen, Jun-Zhi　　Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2024 and 2023

		Equity attributable to shareholders of the parent									
				Retained earnings			Other equity				
	Items	Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	Total	n-controlling intere	Total equity
Code		3100	3200	3310	3320	3350	3410	3420	31XX	36XX	3XXX
A1	Balance at January 1, 2023	$2,795,175	$3,833,804	$724,977	$60,354	$1,530,514	$(7,158)	$(88,000)	$8,849,666	$125,994	$8,975,660
D1	Net income (loss), 2023					327,211			327,211	(2,548)	324,663
D3	Other comprehensive income, 2023					4,158	(7,432)	(2,902)	(6,176)	84	(6,092)
D5	Total comprehensive income	-	-	-	-	331,369	(7,432)	(2,902)	321,035	(2,464)	318,571
	Appropriation and distribution of earnings in 2022										
B1	Legal reserve			64,290		(64,290)			-		-
B3	Special reserve				34,804	(34,804)			-		-
B5	Cash dividends of common stock					(447,228)			(447,228)		(447,228)
Q1	Disposals of equity instruments at fair value through other comprehensive income					7,115		(7,115)	-		-
O1	Decrease in non-controlling interests									(5,127)	(5,127)
Z1	Balance at December 31, 2023	$2,795,175	$3,833,804	$789,267	$95,158	$1,322,676	$(14,590)	$(98,017)	$8,723,473	$118,403	$8,841,876
A1	Balance at January 1, 2024	$2,795,175	$3,833,804	$789,267	$95,158	$1,322,676	$(14,590)	$(98,017)	$8,723,473	$118,403	$8,841,876
D1	Net income, 2024					195,060			195,060	898	195,958
D3	Other comprehensive income, 2024					1,596	30,347	81,462	113,405	1,545	114,950
D5	Total comprehensive income	-	-	-	-	196,656	30,347	81,462	308,465	2,443	310,908
	Appropriation and distribution of earnings in 2023										
B1	Legal reserve			47,067		(47,067)			-		-
B3	Special reserve				17,450	(17,450)			-		-
B5	Cash dividends of common stock					(279,517)			(279,517)		(279,517)
	Other changes in capital surplus										
C5	Equity components - stock options recognized for issue of convertible bonds		75,000						75,000		75,000
Z1	Balance at December 31, 2024	$2,795,175	$3,833,804	$836,334	$112,608	$1,175,298	$15,757	$(16,555)	$8,827,421	$120,846	$8,948,267

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

Chairman：Shen, Guo-Rong　　Manager：Chen, Jun-Zhi　　Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated statements of cash flows
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2024	For the year ended December 31, 2023
	Cash flows from operating activities：		
A10000	Income before tax	$234,428	$362,600
A20000	Adjustments for：		
A20010	Items of income and expenses：		
A20100	Depreciation expenses	711,426	711,179
A20200	Amortization expenses	5,089	4,735
A20300	Expected credit impairment losses	21	28,298
A20400	Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(1,832)	1,650
A20900	Interest expenses	183,527	186,861
A21200	Interest income	(13,176)	(10,034)
A22300	Share of profit or loss of associates and joint ventures accounted for using equity method	(20,083)	(20,323)
A22500	Gains on disposals of property, plant and equipment	(172,414)	(5,471)
A22700	Gains on disposals of investment properties	(46,906)	-
A30000	Net changes in operating assets and liabilities：		
A31130	Increase in notes receivables	(7,450)	(18,005)
A31150	Decrease (increase) in accounts receivables	(95,963)	296,489
A31180	Decrease in other receivables	70,214	100,979
A31200	Decrease in inventories	469,392	117,788
A31240	Decrease (increase) in other current assets	(264,724)	118,014
B06700	Increase in other non-current assets	(190,947)	(64,140)
A32130	Increase (decrease) in notes payables	29,869	(101,020)
A32150	Decrease in accounts payables	(219,031)	(391,344)
A32180	Decrease in other payables	(164,749)	(259,024)
A32230	Increase (decrease) in other current liabilities	(62,395)	81,790
C04300	Decrease in other non-current liabilities	(14,722)	(8,919)
A33000	Cash generated from operations	429,574	1,132,103
A33100	Interests received	13,176	10,034
A33300	Interests paid	(161,380)	(185,138)
A33500	Income tax paid	(96,567)	(104,754)
AAAA	Net cash flows generated from operating activities	184,803	852,245

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

Chairman：Shen, Guo-Rong　　Manager：Chen, Jun-Zhi　　Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated statements of cash flows (cont.)
For the years ended December 31, 2024 and 2023

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2024	For the year ended December 31, 2023
	Cash flows from investing activities：		
B00010	Disposals of financial assets at fair value through other comprehensive income－non-current	(35,769)	(94,963)
B00020	Disposals of financial assets at fair value through other comprehensive income－current	-	8,229
B00030	Refund of payment for shares from financial assets at fair value through profit or loss	6,939	-
B00040	Acquisitions of financial assets at amortized cost	(242,600)	(3,830)
B00050	Disposals of financial assets at amortized cost	28,318	162,070
B00100	Acquisitions of financial assets at fair value through profit or loss	(21,448)	(6,604)
B00200	Disposals of financial assets at fair value through profit or loss	26,587	1,191
B01900	Disposals of investments accounted for using equity method	-	983
B02700	Acquisitions of property, plant and equipment	(377,157)	(874,435)
B02800	Disposals of property, plant and equipment	266,852	10,973
B03700	Decrease (increase) in guaranteed deposits paid	45,054	(12,075)
B04500	Acquisitions of intangible assets	(2,345)	(5,133)
B05400	Acquisitions of investment properties	(193,673)	-
B05500	Disposals of investment properties	77,293	-
B07100	Increase in prepayments for equipment	(149,017)	(129,337)
B07600	Dividends received	14,717	6,069
B09900	Other investing activities	-	(4,831)
BBBB	Net cash flows used in investing activities	(556,249)	(941,693)
	Cash flows from financing activities：		
C00100	Increase in short-term borrowings	12,536,452	8,635,738
C00200	Decrease in short-term borrowings	(11,876,743)	(8,525,453)
C00500	Increase in short-term notes payables	4,800,000	5,540,000
C00600	Decrease in short-term notes payables	(4,900,000)	(5,600,000)
C01200	Issue of corporate bonds	1,485,452	-
C01600	Increase in long-term borrowings	3,905,989	7,531,964
C01700	Repayments of long-term borrowings	(5,365,673)	(7,304,888)
C03100	Increase (decrease) in guaranteed deposits received	120	(1,000)
C04020	Repayments of principal of lease liabilities	(22,578)	(23,960)
C04500	Cash dividends paid	(279,517)	(447,228)
CCCC	Net cash flows generated from (used in) financing activities	283,502	(194,827)
DDDD	Effects of changes in exchange rate on cash	76,331	(3,241)
EEEE	Net decrease in cash and cash equivalents	(11,613)	(287,516)
E00100	Cash and cash equivalents at the beginning of period	784,936	1,072,452
E00200	Cash and cash equivalents at the end of period	$773,323	$784,936

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

Chairman：Shen, Guo-Rong　　Manager：Chen, Jun-Zhi　　Chief accountant：Li, Yuan-Ji

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements

For the years ended December 31, 2024 and 2023
(Except as indicated, expressed in thousands of New Taiwan Dollars)

(1) Company history

Hota Industrial Manufacturing Company (hereinafter “the Company”) was incorporated in January 1973. The Company and subsidiaries (hereinafter “the Group) are primarily engaged in the manufacturing and trading of gear wheels, shafts and various transmission parts like for automobile, motorbike, agricultural machinery, tooling machinery, etc. In September 2001, the Company’s shares were listed in Taiwan Stock Exchange.

(2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements for the years ended December 31, 2024 and 2023 of the Company and subsidiaries (“the Group”) were authorized for issue by the Board of Directors on March 13, 2025.

(3) New standards, amendments and interpretations adopted

1. Changes in accounting policies arising from first-time adoption of IFRSs:

   The Group has adopted the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively “IFRS accounting standards”) endorsed and issued into effect by the Financial Supervisory Commission (the “FSC”) since January 1, 2024, and the first-time adoption incurs no significant impact to the accounting policies of the Group.

2. As of the date when the financial statements were authorized for issue, the Group has not yet adopted the following new, revised, or amended standards or interpretations issued by the IASB and endorsed by the FSC

No.	New, Revised, or Amended Standards or Interpretations	Effective date per IASB
1	Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

(Except as indicated, expressed in thousands of New Taiwan Dollars)

1) Amendments to IAS 21 "Lack of Exchangeability"

The amendments specify when a currency is exchangeable into another currency and when it is not, how an entity determines the exchange rate to apply when a currency is not exchangeable, and require the disclosure of additional information when a currency is not exchangeable.

The above amendments are effective for annual period beginning on January 1, 2025. The Group assessed that there would no significant impact.

3. As of the date when the financial statements were authorized for issue, the Company has not yet adopted the following new, revised, or amended standards or interpretations issued by the IASB but not yet endorsed by the FSC:

No.	New, Revised, or Amended Standards or Interpretations	Effective date per IASB
1	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
2	Amendments to IFRS 17 "Insurance Contract"	January 1, 2023
3	IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
4	Disclosure Initiative – "Subsidiaries without Public Accountability" (IFRS 19)	January 1, 2027
5	"Classification and Measurement of Financial Instruments" (Amendments to IFRS 9 and IFRS 7)	January 1, 2026
6	Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
7	"Contracts Referencing Nature-dependent Electricity" (Amendments to IFRS 9 and IFRS 7)	January 1, 2026

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The objective of the project is to deal with the inconsistency between the rules in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" about sale of subsidiary to its associates or joint venture and loss of control. According to IAS 28, the gain or loss resulting from the contribution of non-monetary assets to an associate or a joint venture in exchange for an equity interest in that associate or joint venture shall be eliminated by the same way as a downstream transaction. According to IFRS 10, the gain or loss associated with the loss of control shall be recognized in full. The amendments limit the aforementioned rules of IAS 28. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.

The amendments also amended the rules in IFRS 10. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that do not constitute a business as defined in IFRS 3 shall be recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

2) Amendments to IFRS 17 "Insurance Contract"

The standard provides comprehensive models to insurance contracts, including accounting principles for the recognition, measurement, presentation and disclosure. The core part of the standard is the General Measurement Model. Under the model, at initial recognition, groups of insurance contracts shall be measured by the sum of fulfillment cash flows and contractual service margin. At the end of each reporting period, the carrying amount is the sum of the liabilities for remaining coverage and the liabilities for the incurred claims.

Except the General Measurement Model, there are a model to account for participating contracts (Variable Fee Approach) and a simplified measurement model to account for short-term contracts (the Premium Allocation Approach).

The standard was issued in May 2017, and the amendments were issued in 2020 and 2021. The transition provision in the amendments deferred the effective date by two years (from January 1, 2021 to January 1, 2023) provided exemption options, simplified some rules to decrease the cost of adopting the standard, and amended some rules to make them easier to be interpreted under certain circumstances. After the standard comes into effect, the transition standard (IFRS 4 "Insurance Contracts") will be replaced.

3) IFRS 18 “Presentation and Disclosure in Financial Statements”

The standard will replace IAS 1 “Presentation of Financial Statements.” The primary changes are as follows:

a) Increasing comparability of the income statements
Items in the statement of profit or loss will need to be classified into categories: operating, investing, financing, income taxes and discontinued operations. The first three categories are new, to improve the structure of income statements. The standard also requires entities to provide newly defined subtotals (including operating profit or loss). The standard improves the income statement’s structure and newly defined subtotals, which makes companies' financial performance easier to compare and provides a consistent starting point for investors' analysis

b) Enhancing transparency of management performance measurement
Explanations on requiring entities to disclose specific indicators related to income statements (management-defined performance measures (MPM).

c) Useful summary of financial information
The standard sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. The standard also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

4) Disclosure Initiative – “Subsidiaries without Public Accountability” (IFRS 19)
The standard permits subsidiaries without public accountability to provide reduced disclosure when applying IFRS accounting standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

5) “ Classification and Measurement of Financial Instruments” (Amendments to IFRS 9 and IFRS 7)
The amendments include:

a) Clarify that a financial liability is derecognized on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.

b) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and government

(ESG)-linked features and other similar contingent features.

c) Clarify the treatment of non-recourse assets and contractually linked instrument.

d) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments fair value through other comprehensive income.

6) Annual Improvements to IFRS Accounting Standards—Volume 11

a) Amendments to IFRS 1

b) Amendments to IFRS 7

c) Amendments to Guidance on implementing IFRS 7

d) Amendments to IFRS 9

e) Amendments to IFRS 10

f) Amendments to IAS 7

7) “Contracts Referencing Nature-dependent Electricity” (Amendments to IFRS 9 and IFRS 7)

The amendments include:

a) Clarify the application of the “own use” requirements.

b) Permit hedge accounting if these contracts are used as hedging instruments.

c) Add new disclosure requirements to enable investors to understand the effects of these contracts on an entity’s financial performance and cash flows.

The above are the standards or interpretations issued by International Accounting Standards Board but not endorsed by the FSC. The Group is assessing the potential impacts from new or amended standards or interpretations in 3), but temporarily unable to reasonably estimate the impacts from the abovementioned standards or standards. The other new or amended standards or interpretations have no significant impact on the Group.

(4) Summary of significant accounting policies

1. Statement of compliance

The accompanying consolidated financial statements for the years ended December 31, 2024 and 2023 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission

2. Basis of preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value. Except as indicated, the consolidated financial statements are expressed in thousands of New Taiwan Dollars.

3. Basis of consolidation

Basis of preparation of consolidated financial statements

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. Especially, the Company controls an investee if and only if the Company has all the following：

1) Power over the investee (the Company has existing rights that give it the current ability to participate in the direction of the relevant activities)
2) Exposure, or rights, to variable returns from its involvement with the investee, and
3) The ability to use its power over the investee to affect the amount of the investor’s returns.

When the Company directly or indirectly holds fewer voting rights or similar rights than majority of other investors, determining whether the Company has the power over the investee shall takes into account all relevant facts and circumstances, including ：

1) the agreements between the investee and other voting rights holders
2) rights arising from other agreements
3) voting right and potential voting rights

The Company shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, the Company shall

1) derecognize the assets (including goodwill) and liabilities of the former subsidiary；
2) derecognize any carrying amount of non-controlling interests；
3) recognize the fair value of consideration received；
4) recognize any investment retained in the former subsidiary by fair value；
5) recognize all the gains or losses as profit or loss in the current period；
6) reclassify the amount recognized in other comprehensive income by the parent company to profit or loss in the current period.

The consolidated entities are as follows：

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Name of investor company	Name of subsidiary (sub-subsidiary)	Main business	Percentage of ownership	
			December 31, 2024	December 31, 2023
The Company	Hozuan Investment Company Limited (“Hozuan”)	General investment business	100%	100%
The Company	Howin Precision Company Limited (“Howin”)	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	61.05%	61.05%
The Company	HOTATECH, INC.	Sales of various precision gears for automobiles and investment business	100%	100%
The Company	HOTA USA Inc. (Note 1)	Holding company	100%	100%
The Company	Captain Holding Co., Ltd.	Holding company	100%	100%
The Company	Juda Intelligent Technology (“Juda”)	Manufacturing and sales various of precision gears for automobiles and motorbikes	100%	100%
The Company	Hefu Construction Co., Ltd. (“Hefu”)	Construction and investment development of residences, apartments and mixed residential office buildings	50%	50%
The Company	Helun Precision Co., Ltd. (“Helun Ltd.”)	Manufacturing and sales various of precision gears for automobiles and motorbikes	100%	100%
Hota USA Inc.	Hota Industries, LLC (Note 1)	Investing plants and equipment	100%	100%
Hota USA Inc.	Hota Manufacturing, Inc. (Note 1)	Manufacturing and sales various of precision gears for automobiles	100%	-
Captain Holding Co., Ltd.	Howon (Whaian) Automobile Components Company Limited	Manufacturing and sales of automobile gearboxes and gears	100%	100%

Note 1: The Group established the subsidiary, Hota USA INC., and reinvest in the establishment of Hota Industries, LLC and Hota Manufacturing, Inc., as operating entities in the USA .

4. Foreign currencies transactions

The consolidated financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.” The entities of the Group determine their functional currencies at their own discretion, and shall measure the financial statements by the functional currencies. Transactions in foreign currencies are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate; non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure; non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

Except for the list below, the exchange differences are recognized in profit or loss in the year in which they arise:

1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

2) Foreign currency items within the scope of IFRS 9 "Financial Instruments" are accounted for based on the accounting policy for financial instruments.
3) Exchange differences arising on a monetary item that is part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of such investment.

When the profit or loss arising from exchange differences arising on the non-monetary items are recognized in other comprehensive income, the exchange differences arising on the retranslation of such profit or loss are also recognized in other comprehensive income. When the profit or loss arising from exchange differences arising on the non-monetary items are recognized in the profit or loss for the year, the exchange differences arising on the retranslation of such profit or loss are also recognized in the profit or loss.

5. Translation of financial statements denominated in foreign currencies

When preparing the consolidated financial statements, assets and liabilities of foreign operations for each balance sheet shall be translated at the closing rate at the balance sheet date, income and expenses for each statement of comprehensive income shall be translated at the average exchange rates of the period, and all resulting exchange differences shall be recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized. When the partial disposal involves the loss of control or significant influence of a subsidiary that includes a foreign operation, or when the retained interest after the partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation, the partial disposal is accounted for as disposal.

On the partial disposal of a subsidiary that includes a foreign operation, which does not involve the loss of control, the entity shall re-attribute the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to "investments accounted for using equity method," instead of in profit or loss. On the partial disposal of an associate or jointly controlled entity that includes a foreign operation, which does not involve loss of significant influence or joint control, the entity shall reclassify the proportionate share of the cumulative amount of the exchange differences in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amount of assets and liabilities arising on the acquisition of that foreign operation shall be treated as assets and liabilities of the foreign operation. Thus, they shall be expressed in the functional currency of the foreign operation.

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

An asset is classified as current under the conditions below. For those that are not current are classified as non-current.

1) The Group expects to realize the asset, or intends to sell or consume it, in

its normal operating cycle.
2) The Group holds the asset primarily for the purpose of trading.
3) The Group expects to realize the asset within twelve months after reporting period.
4) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under the conditions below. For those that are not current are classified as non-current.：

1) The Group expects to settle the liability in normal operating cycle.
2) The Group holds the liability primarily for the purpose of trading.
3) The liability is due to be settled within twelve months after the reporting period.
4) The Group does not have the right at the balance sheet date to defer settlement of the liability for at least twelve months after the reporting period.

7. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and highly liquid short-term time deposits or investments (including time deposits due within three months) that are readily convertible to known amounts of cash and with maturity dates that do not present significant risks of changes in value.

8. Financial instruments

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

Financial assets and liabilities in the scope of IFRS 9 “Financial Instruments” are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and liabilities, as appropriate, on initial recognition.

1) Recognition and measurement of financial assets

A regular way purchase or sale of financial assets are recognized and derecognized, as applicable, using trade date accounting.

The Group classifies financial assets as financial assets at amortized cost, Financial asset at fair value through OCI, and financial assets at fair value through profit or loss based on：

A. The Group’s business model for managing the asset

B. The asset’s contractual cash flow characteristics

Financial assets at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met, and recognized as notes receivable, accounts receivable, financial assets at amortized cost, and other receivables on the balance sheets：

A.The business model for managing the asset：the objective is to hold assets in order to collect contractual cash flows.
B. The asset’ s contractual cash flow characteristics：the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

The amount at which the financial assets (not including those involved hedge relationships) is measured at initial recognition by fair value minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance. At derecognition, amortization or recognition of impairment profit or loss, the profit or loss is recognized in profit or loss.

Interest income shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for：

A. Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
B. Financial assets that are not purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset at fair value through OCI

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met, and recognized as Financial asset at fair value through OCI on the balance sheets：

A.The business model for managing the asset：the objective is to hold assets in order to collect contractual cash flows and sell financial assets.
B.The asset’ s contractual cash flow characteristics：the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

The recognition of profit or loss related to the financial assets is explained as follows：

A. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial assets is derecognized or reclassified.

B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.

C. Interest income shall be calculated by using the effective interest method and recognized in profit or loss. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for：

(a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
(b) Financial assets that are not purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, at initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. (At disposal, the cumulative amount recognized in other components of equity shall be transferred to retained earnings.) And the investment shall be recognized as financial asset at fair value through OCI on the balance sheets. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, and recognized as financial assets at fair value through profit or loss on the balance sheets

The financial assets are measured at fair value. The remeasurement gains or losses are recognized in profit or loss. The profit or loss recognized in profit or loss includes the dividends or interests received arising from the financial assets.

2) Impairment of financial assets

For investments in debt instrument at fair value through other comprehensive income and financial assets at amortized cost, the Group recognizes and measure loss allowance by expected credit loss. The loss allowance of investments in debt instrument at fair value through other comprehensive income is recognized in other comprehensive income, and do not eliminate the carrying amount of the investments.
The measurement of expected credit losses of a financial instrument should reflect

：

A. An unbiased and probability-weighted amount of potential loss that is determined by evaluating a range of possible outcomes
B. The time value of money
C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Loss allowance is measured as follows：

A. Equal to 12-month expected credit losses：If the credit risk on a financial instrument has not increased significantly since initial recognition, or financial assets are determined to be with low credit risk, the Group shall measure the loss allowance for that financial assets at an amount equal to 12-month expected credit losses. Besides, if the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions are no longer met, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

B. Equal to lifetime expected credit losses：If the credit risk on a financial instrument has increased significantly since initial recognition, or financial assets are purchased or originated credit-impaired, the Group shall measure the loss allowance for that financial assets at an amount equal to lifetime expected credit losses.

C. The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables or contract assets that result from transactions that are within the scope of IFRS 15.

D. The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for lease receivables that result from transactions that are within the scope of IFRS 16.

At each reporting date, the Group shall compare the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition to assess whether the credit risk on financial instruments have increased significantly since initial recognition. Please refer to Note 12 for the relevant information about credit risk.

3) Derecognition of financial assets

The Group shall derecognize the financial assets when：

A. The contractual rights to the cash flows from the financial assets expire.
B. The Group transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to others.
C. The Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, but does not retain control of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the accumulative profit or loss arising from consideration received or receivable recognized in other comprehensive income shall be recognized in profit or loss.

4) Financial liabilities and equity instruments

Classification of liabilities or equity

The Group shall classify the liability and equity instrument as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is a contract evidences a residual interest in the Group's asset after deducing all of its liabilities. The equity instruments issued by the Group are recognized by the amount of the consideration received less any direct issue cost.

Compound instruments

The Group evaluates the terms of the convertible bonds issued to determine whether it contains both a liability and an equity component. Furthermore, the Group assesses if the economic characteristics and risks of the put and call options contained in the convertible bonds are closely related to the economic characteristics and risk of the host contract before separating the equity element.

For the liability component excluding the derivatives, its fair value is determined based on the rate of interest applied at that time by the market to instruments of comparable credit status. The liability component is classified as a financial liability measured at amortized cost before the instrument is converted or settled.For the embedded derivative that is not closely related to the host contract (for example, if the exercise price of the embedded call or put option is not approximately equal on each exercise date to the amortized cost of the host debt instrument), it is classified as a liability component and subsequently measured at fair value through profit or loss unless it qualifies for an equity component. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. Its carrying amount is not remeasured in the subsequent accounting periods. If the convertible bond issued does not have an equity component, it is accounted for as a hybrid instrument in accordance with the requirements under IFRS 9 Financial Instruments, Compound Instruments.

Transaction costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

On conversion of a convertible bond before maturity, the carrying amount of the liability component being the amortized cost at the date of conversion is transferred to equity.

Financial liabilities

Financial liabilities in the scope of IFRS 9 are initially recognized as financial liabilities at fair value through profit or loss or financial liabilities at amortized cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss

Financial liabilities meet one of the conditions below, shall be classified as held for trading：

A. Financial liabilities that are incurred with an intention to sell them in the near term.
B. Financial liabilities that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking at initial recognition；or
C. Derivative liabilities (that are not financial guarantee contracts or accounted for as hedging instruments)

If a contract contains one or more embedded derivatives, the Group may designate the entire hybrid contract as financial liabilities at fair value through profit or loss；the Group may, at initial recognition, designate a financial liabilities as measured at fair value through profit or loss, when doing so results in more relevant information, because either：

A. It eliminates or significantly reduces a measurement or recognition inconsistency；or
B. A group of financial assets or financial liabilities, or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity’s key management personnel.

The remeasurement gains or losses are recognized in profit or loss. The profit or loss recognized in profit or loss includes the interests paid for the financial liabilities.

Financial liabilities at amortized cost

The financial liabilities at amortized cost initially include payables, loans, etc., are measured by effective interest rate method subsequently. When derecognizing or amortizing the financial liabilities by effective interest rate method, the related profit or loss and amortized amount are recognized in profit or loss.

The calculation of the cost after amortized shall consider the discount or premium, and transaction cost.

Derecognition of financial liabilities

The Group shall remove a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between the Group and the lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

5) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset only when the Group has a current and legally enforceable right to set-off the recognized amounts and when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.
。

9. Fair value measurement

Fair value is the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either：

1) in the principal market for the asset or liability; or
2) in the absence of a principal market, in the most advantageous market for the asset or liability.

The entity must have access to the principal or most advantageous market to participate in the transactions.

An entity shall measure the fair value of an asset or liability using the assumption that market participants would use when pricing the assets or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group shall use the valuation techniques that are appropriate for relevant circumstances and with enough information and maximize the use of relevant observable inputs and minimize the use of unobservable inputs to meet the objective of a fair value measurement.

10. Inventories

Inventories are valued at the lower of cost and net realizable value item by item.

The cost of inventories shall comprise all costs incurred in bringing the inventories to their present location and the condition available for sale or production：

Materials－cost of purchase, by FIFO.
Finished goods and work in process－including direct materials, labour, and fixed manufacturing expenses allocated by normal capacity, excluding costs of borrowings.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Service shall be treated in accordance with IFRS 15, no in the scope of inventories.

11. Investments accounted for using equity method

The Group uses equity method to recognize the investment in associates, except those classified as held-for-sale. An associate is an entity over which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have join control of the arrangement have right to the net assets of the arrangement.

Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Group's share in the changes in equity of the associate. After the carrying amount and other relevant long-term interest of an associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized profit or losses on transactions with associates shall be eliminated by the share of equity of the associates.

If the changes in equity of associates not due to profit or loss and other comprehensive income, and the changes have no influence to the Group's percentage of ownership to the associates, the Group shall recognize the relevant changes in equity by percentage of ownership, and the capital surplus recognized accordingly shall be transferred to profit or loss by the percentage of disposal at disposal of associate subsequently.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to "capital surplus," and "investments accounted for using equity method." If the Group's ownership interest in an associate is reduced, the Group shall reclassify to profit or loss or other appropriate account the proportion of the gain or loss that had previously been recognized in other comprehensive income. The aforementioned capital surplus shall be transferred to profit or loss by the percentage of disposal at disposal of associates subsequently.

The associates shall prepare financial statements by the same reporting period as the Group, and make adjustment to use uniform accounting policies with the Group.

The Group shall confirm whether there is objective evidence of impairment on the investments in associates according to IAS 28 “Investments in Associates and Joint Ventures.” If there is objective evidence of impairment, the Group shall calculate the impairment amount by the difference between the recoverable amount and the carrying amount, and recognize the difference as the profit or loss on the investment in the associates according to IAS 36 “Impairment of Assets.” If the recoverable amount is the value in use of the investments, the Group estimates the relevant value in use based on：

1) its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds from the ultimate disposal of the investment；or
2) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of the net investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 “Impairment of Assets.”

When the Group loses significant influence over associates, the Group shall measure and recognize the retained interests at fair value. The Group shall recognize in profit or loss any difference between the carrying amount of the investment and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate. In addition, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes and investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

12. Property, plant and equipment

Property, plant and equipment are initially recognized by acquisition cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the disassembly, removal, and recovery of the item of property, plant and equipment or borrowing costs eligible for capitalization. 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 shall be depreciated separately. The carrying value of the replaced items shall be derecognized based on IAS 16 “Property, Plant, and Equipment.” When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Other fix and maintenance cost are recognized in profit or loss.

Straight-line method is used to allocate the depreciable amount of an asset over its useful life as follows:

Asset	Useful life
Buildings and structures	5 – 50 years
Machinery equipment	3 – 26 years
Other equipment	2 – 25 years

The carrying amount of an item of property, plant and equipment or any significant component shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition shall be included in profit or loss when the item is derecognized.

The residual value and the useful life of an item of property, plant, and equipment shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate value.

13. Investment properties

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The carrying amounts of investment properties include the costs which meet the recognition principle and the cost incurred to service or add to current investment properties. However, the Group does not recognize in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. After initial recognition, the Group shall measure investment property by cost model in accordance with IAS 16 “Property, Plant and Equipment,” except the property meets the criteria to be classified as held for sale (or is included in a disposal group that is classified as held for sale) in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” If a property is held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5, it shall be measured in accordance with IFRS 16.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gains or losses on derecognition shall be recognized in profit or loss.

The Group determines to transfer an asset to, or from investment property based on the actual usage of the asset.

The Group shall transfer a property to, or from, investment property when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

14. Lease

At the commencement date, the Group shall assess whether the contract is (or contains) a lease. If a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess whether throughout the period of use, the Group has both of the following ：

1) the right to obtain substantially all of the economic benefits from use of the identified asset；and
2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Group shall account for each lease component within the contract as a lease separately from non-leased components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge an entity for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Group shall estimate the stand-alone price, maximizing the use of observable information.

The Group as the lessee

When the Group is the lessee under a lease contract, the Group shall recognize a right-of-use asset and a lease liability, unless the lease contract is a short-term lease or the underlying asset of the lease is of low value,

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid on that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date：

1) fixed payments (including in-substance fixed payments), less any lease incentives receivable；
2) variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the commencement date)；
3) amounts expected to be payable by the lessee under residual value guarantees；
4) the exercise price of a purchase option if the Group is reasonably certain to exercise that option；and
5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group shall measure the lease liabilities on the basis of amortized cost, by increasing the carrying amount to reflect interest on the lease liability, and reducing the carrying amount to reflect the lease payments made by effective interest rate method.

At the commencement date, the Group shall measure the right-of-use asset at cost, which shall comprise：

1) the amount of the initial measurement of the lease liability；

2) any lease payments made at or before the commencement date, less any lease incentives received；
3) any initial direct costs incurred by the lessee；and
4) 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.

After the commencement date, a lessee shall measure the right-of-use asset applying a cost model. The Group shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses.

If the lease transfers ownership of the underlying assets to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group shall apply IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Unless the lease contract is a short-term lease or the underlying assets of the lease if of low value, the Group shall state right-of-use assets and lease liabilities on the balance sheets, and depreciation expenses and interest expenses related to lease on the statements of comprehensive income.

The Group shall recognize the lease payments associated with short-term leases or leases for which the underlying asset is of low value as an expense on either a straight-line basis over the lease term or another systematic basis.

The Group as the lessor

The Group shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Group shall recognize assets held under a finance lease in its balance sheets and present them as lease payments receivables at an amount equal to the net investment in the lease.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group shall allocate the consideration in the contract applying IFRS 15.

The Group shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. Variable lease payments that do not depend on an index or a rate shall be recognized as rental income at occurrence.

15. Intangible assets

A separately acquired intangible asset shall be measured initially at cost. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses. An item generated internally which does not meet the conditions to be recognized as intangible assets shall not be capitalized, and shall be recognized as an expense when it is incurred.

The useful lives of intangible assets are finite

An intangible asset with a finite useful life shall be amortized over its useful life, and if there is an indication that an intangible asset may be impaired, impairment test shall be conducted. The amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the assets is different from previous estimates or there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method or amortization period shall be changed. Such changes shall be accounted for as changes in accounting estimate values.

The gains or losses on the derecognition of intangible assets shall be recognized in profit or loss.

The accounting policies related to intangible assets are summarized as follows:

	Cost of computer software
Useful life	1~3 years
Amortization method	Amortize by straight-line method
Generated internally or acquired	Acquired

16. Impairment of non-financial assets

The Group shall assess at the end of each reporting period whether there is any indication that an asset, which applies IAS 36 “Impairment of Assets,” may be impaired. If any indication is present, the Group is required to conduct an impairment test to the asset each year on a regular basis. The Group conducts the test by the cash-generating unit to which the individual asset or assets belong. Based on the impairment test, if the recoverable amount of a cash-generating unit is less than its carrying amount, impairment loss shall be recognized. Recoverable amount is the higher of the cash-generating unit’s net fair value and its value in use.

The Group shall assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group shall estimate the recoverable amount of that asset. If the recoverable amount increases for the increase in the estimated service potential of an asset, the impairment loss shall be reversed. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

A cash-generating unit or group of units to which goodwill has been allocated shall be tested for impairment annually, no matter there is indication of impairment or not. The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit in the following order. First, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill shall not be reversed in a subsequent period for any reason.

Impairment losses and reversals of continuing operations shall be recognized in profit or loss.

17. Provisions

A provision shall be recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. Where the effect of the time value of money is material, the amount of a provision shall be discounted by a pre-tax discount rate that reflects the risks specific to the liability. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized as borrowing cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

<u>Provisions for decommissioning, restoration and rehabilitation costs</u>

Provisions for decommissioning arising from dismantling and removing property, plant and equipment, and restoring the site shall be measured by the discounted cash flows expected to settle the obligation, and the decommissioning costs shall be recognized as part of the asset costs. Cash flows shall be discounted by a pre-tax discount rate that reflects the risks specific to the liability. The amortization of discount on provisions shall be recognized as borrowing costs as incurred. Estimated future decommissioning costs shall be evaluated and adjusted appropriately at the end of each reporting period. Changes in estimate values of future decommissioning costs or discount rates shall increase or decrease relatively to the relevant asset costs.

18. Revenue recognition

The Group recognizes revenue after identifying performances obligations in the contracts with customers, allocating the transaction prices into each performance obligation, and each performance obligation being fulfilled.

Sales of goods

The Group primarily manufactures gears, shafts, and various transmission parts, and sells to automobile plants. Revenue is recognized when goods are transferred to a customer, the customer obtains control of that asset (control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.), and the goods are accepted and confirmed by the customer.

The credit periods for transactions of sales of goods are 30 ~ 180 days. In most of the contracts, accounts receivables are recognized when control of goods is transferred and the Group has the unconditional right to the consideration. The accounts receivables are usually short-term and without significant financial component. However, as part of the contract, as part of the consideration is collected from the customer when signing the contract, and the Group is obligated to offer services subsequently, contract liabilities shall be recognized.

19. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset shall be capitalized as part of the costs of the assets. Other borrowing costs are recognized as an expense in the period of occurrence. Borrowing costs include interest and other costs that the Group incurs in connection with the borrowing of funds.

20. Government grants

Government grants shall be recognized when there is reasonable assurance that the Group will comply with the conditions attached to them, and that the grants will be received. Government grants related to assets shall be presented by deducting the grant at the carrying amount of the assets, and recognized in profit or loss over the useful life of a depreciable asset as a reduced depreciation expense. Government grants shall be recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related cost for which the grants are intended to compensate.

21. Post-employment plans

The pension plan of the Company is applicable to all the officially hired employees of the Company and domestic subsidiaries. The employee pension fund is deposited in special account of the pension fund, and managed by the Labor Pension Fund Supervisory Committee. Since the pension fund is deposited in the name of the Labor Pension Fund Supervisory Committee, and totally separated from the Company and domestic subsidiaries, the fund is not stated in the accompanying financial statements. The pension plans of foreign subsidiaries and branches are implemented in accordance with local regulations.

For defined contribution retirement plans, payments contributed to the benefit plan by the Company and domestic subsidiaries, which shall not be lower than the 6% of salaries or wages of the employees, are recognized as an expense when the employees have rendered service entitling them to the contribution. Payments to the benefit plan by the foreign subsidiaries and branches are contributed based on local rate and recognized as an expense in the current period.

For defined benefit plans, the defined benefit costs shall be recognized by using the Projected Unit Credit Method at the end of each reporting date based on actuaries' report. The remeasurements of the net defined benefit liability (asset) shall be recognized in other comprehensive income, and reflected in retained earnings immediately, comprising return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset), and actuarial gains and losses. The Company shall recognize past service cost as an expense at the earlier of the following dates：

1) when the plan amendment or curtailment occurs；and
2) when the Group recognizes related restructuring costs or termination benefits.

The Group shall determine net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate, which shall be determined at the start of the annual reporting period, and take into account any changes in net defined benefit liability (asset) during the period resulting from contributions or benefit payments.

22. Income tax

The tax expense (gain) for the period comprises current and deferred income tax.

Current income tax

Current income tax assets and liabilities for the current period and prior periods are measure using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity rather than profit or loss.

An additional tax on unappropriated earnings is recognized as income tax expenses on unappropriated earnings in the year the shareholders’ meeting approves the distribution of earnings based on the actual distribution.

Deferred income tax

Deferred income tax is determined by the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the reporting date.

A deferred tax liability shall be recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from：

1) the initial recognition of goodwill；or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)；

2) investments in subsidiaries, associates, and interests in joint arrangements; the parent, investor, joint venture or joint operator is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset shall be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax assets arises from：

1) the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)；

2) the deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint arrangements. The deferred tax asset shall be recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside from profit or loss is not recognized in profit or loss but rather in other comprehensive income or directly in equity. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities may offset each other, only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred taxes related to the same taxable entity and the same taxation authority.

According to the temporary mandatory exception introduced in “International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12),” the deferred taxes and liabilities arising from the Pillar Two model rules shall not be recognized and the relevant information shall not be disclosed.

(5) Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

When preparing the Group's consolidated financial statements, the management has made judgments to determine the account policies adopted, and make accounting estimates and assumptions, which affect the disclosure of reporting amount of revenue, expenses, assets, and liabilities and contingent liabilities. However, these estimates and assumptions could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the future.

Estimates and assumptions

Information on major sources of uncertainty arising from significant accounting estimates and assumptions which could result in risks that require a material adjustment to the carrying amount of assets and liabilities in the next fiscal year is explained as follows:

1) Fair value of financial instruments

   If the fair value of financial assets recognized in balance sheets cannot be derived in an active market, the fair value shall be determined by valuation techniques, including income approach (e.g. discounted cash flow model) or market approach. The changes in the assumptions used in the models would affect the fair value of the financial instruments reported. Please refer to Note 12 for details.

2) Receivables－estimates on impairment losses

   The Group shall measure the impairment losses for accounts receivables at an amount equal to lifetime expected credit losses. The present value of the differences between the contractual cash flow receivables (carrying amount) and the cash flows expected to be received (evaluating forward-looking information) shall be recognized as credit losses. However, since the effect of discounting is immaterial to short-term receivables, the credit loss shall be measured by the undiscounted amounts. If the actual cash flows in the future are less than expected, significant impairment losses may occur. Please refer to Note 6 for details.

3) Inventories

   The estimates of the net realizable values of inventories take into account the circumstances of damage; obsolesce of part or all of the inventories, or the decline in prices, based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. Please refer to Note 6 for details.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

(6) Explanation of significant accounts

1. Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	$709	$543
Bank deposits	772,614	784,393
Total	$773,323	$784,936

The cash and cash equivalent held by the Group were not pledged as collaterals.

2. Financial assets at fair value through profit or loss

	December 31, 2024	December 31, 2023
Current items:		
Mandatorily measured at fair value through profit or loss:		
Stocks of listed companies	$14,031	$18,089
Valuation adjustment	(2,689)	(3,764)
Total	$11,342	$14,325

	December 31, 2024	December 31, 2023
Non-current items:		
Mandatorily measured at fair value through profit or loss:		
Redemptions right of corporate bonds	$750	$-
Valuation adjustment	(150)	-
Total	$600	$-

The profit or loss recognized arising from financial assets at fair value through profit or loss is as follows:

	2024	2023
Net gains (losses) of financial assets mandatorily measured at fair value through profit or loss	$1,832	$(1,650)

The financial assets at fair value through profit or loss held by the Group were not pledged as collateral.

3. Financial assets at fair value through other comprehensive income

(Except as indicated, expressed in thousands of New Taiwan Dollars)

	December 31, 2024	December 31, 2023
Current items:		
Stocks of listed companies	$134,216	$119,856
Valuation adjustment	(20,261)	(29,566)
Total	$113,955	$90,290

	December 31, 2024	December 31, 2023
Non-current items:		
Stocks of listed companies and stocks in emerging market	$196,103	$181,633
Valuation adjustment	(20,560)	(40,993)
Total	$175,543	$140,640

The Group elected to classify interests in strategic investments as financial assets at fair value through other comprehensive income. The fair values of those investments are as follows:

	December 31, 2024	December 31, 2023
Financial asset at fair value through other comprehensive income	$289,498	$230,930

BMB Venture Capital Investment Corporation held by the Group refunded the payment for shares of NT$6,939 thousand for the yar ended December 31, 2024.

The Group disposed equity investments with fair value of NT$8,229 thousand, and the accumulated gains on disposals amounted to NT$7,115 thousand for the year ended December 31, 2023.

The profit or loss and other comprehensive income recognized arising from financial assets at fair value through other comprehensive income are as follows:

	2024	2023
Changes in fair value recognized in other comprehensive income	$29,737	$4,287
Accumulated gains transferred to retained earnings arising from derecognition	-	(7,115)
Total	$29,737	$(2,828)

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at fair value through other comprehensive income as of December 31, 2024 and 2023 are NT$289,498 and NT$230,930, respectively.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The financial assets at fair value through other comprehensive income held by the Group were not pledged as collateral.

Please refer to Note 12, 4 and 9 for relevant information on price risks and fair value of financial assets at fair value through other comprehensive income.

4. Financial assets at amortized cost

	December 31, 2024	December 31, 2023
Current items:		
Time deposits (over 3 months)	$229,062	$-
Restricted bank deposits	34,308	46,640
	$263,370	$46,640

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at amortized cost as of December 31, 2024 and 2023 are NT$263,370 thousand and NT$46,640 thousand, respectively.

Please refer to Note 8 for the bank deposits pledged as collaterals.

5. Accounts receivables

	December 31, 2024	December 31, 2023
Accounts receivables	$2,808,796	$2,711,400
Less：loss allowance	(88,120)	(86,666)
Total	$2,720,676	$2,624,734

The Group signed an accounts receivables factoring contract without right of recourse with O-Bank. As of December 31, 2024 and 2023, the accounts receivables expected to be factored (included in financial assets at fair value through other comprehensive income) amounted to NT$0 thousand and NT$678,026 thousand, respectively.

The amount measured in fair value through other comprehensive income were NT$44,986 thousand and NT$(44,986) thousand, and the other comprehensive income reclassified to profit or loss amounted to NT$10,095 thousand and NT$24,031 thousand, as of December 31, 2024 and 2023, respectively.

Information on transfers of financial assets－recognition of transferred financial asset in its entirety.

The Group signed an accounts receivable factoring contract with O-Bank in January 2018. According to the contract, when the Group sells accounts receivable to O-Bank, the bank prepays approximately 90% of accounts receivable to the Group, 10% remains will be paid to the Group until the bank collects all the accounts receivables. The Group waives the risk of uncollectible accounts receivables but bears the burden from commercial disputes. As the Group neither provides collaterals nor any continuous participation in all the accounts receivables transferred, the Group has already derecognized the accounts receivable factored.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

As of December 31, 2024 and 2023, the relevant information on undue derecognized accounts receivables which are factored is as follows:

December 31, 2024: None.

December 31, 2023					
Counter party of factoring and financing	Amount of factored accounts receivables	Derecognized amount	Advanced amount	Amount to be advanced	Interest rate interval (%)
O-Bank	$543,261	$543,261	$488,653	$54,608	6.64~6.85

As of December 31, 2024 and 2023, the amounts retained in accounts receivables factored are NT$0 thousand, and NT$54,608 thousand, respectively, which have been transferred to other receivables. The portion eligible for derecognition in the accounts receivables factored has been transferred to other receivables, and the advanced amount has been recognized as bank loans.

The accounts receivables held by the Group were not pledged as collateral.

6. Inventories

	December 31, 2024	December 31, 2023
Raw materials	$453,885	$557,635
Work in process	1,489,149	1,415,387
Finished goods	924,708	1,107,786
Construction in process	-	256,326
Total	$2,867,742	$3,337,134

The inventory costs recognized as costs of goods sold amounted to NT$5,092,735 thousand and NT$5,458,129 thousand, including inventory valuation losses of NT$0 thousand and NT$2,640 thousand for the years ended December 31, 2024 and 2023, respectively.

The inventories held by the Group were not pledged as collateral.

7. Investments accounted for using equity method

The details of investments accounted for using equity method are as follows:

Name of investee company	December 31, 2024	December 31, 2023
Investments in associates:		
KAO FONG MACHINERY CO.,	$273,029	$257,739

(Except as indicated, expressed in thousands of New Taiwan Dollars)

LTD.		
LING WEI CO., LTD.	44,450	45,090
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	3,155	3,037
Subtotal	324,370	309,602
Less: accumulated impairment	(3,736)	(3,736)
Total	$320,634	$305,866

	2024	2023
Profit from continuing operations	$20,083	$20,323
Other comprehensive income (net of tax)	8,146	(4,200)
Total comprehensive income	$28,229	$16,123

Although the Group's percentage of ownership to KAO FONG MACHINERY CO., LTD. is less than 20%, as the Group is able to affect the financial and operating policies, KAO FONG MACHINERY CO., LTD. is one of the associates of the Group.

The investments in KAO FONG MACHINERY CO., LTD. are with public quoted prices. As of December 31, 2024 and 2023, the fair value amounted to NT$847,093 thousand and NT$277,373 thousand, respectively.

The Group assessed that as TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. has suspended business and there is no substantive operation, the investments are recognized as impairment losses entirely by the amount of NT$3,736 thousand.

The details of shares of profit or loss of associates and joint ventures accounted for using equity method are as follows:

	2024	2023
KAO FONG MACHINERY CO., LTD.	$18,264	$16,804
LING WEI CO., LTD.	1,904	2,612
TAKAWA SEIKI, INC.	(85)	907
Total	$20,083	$20,323

Please refer to Note 8 for information on investments accounted for using equity method pledge as collaterals.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

8. Property, plant and equipment

	December 31, 2024	December 31, 2023
Property, plant and equipment for self-use	$13,831,099	$14,044,490

	Land	Buildings and structures	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost:						
January 1, 2024	$2,132,426	$4,977,009	$9,873,333	$1,121,461	$1,137,822	$19,242,051
Additions	-	10,316	54,569	130,496	181,776	377,157
Disposals	(46,868)	(42,955)	(156,678)	(137,489)	-	(383,990)
Transfers	-	255,925	46,062	4,330	(154,842)	151,475
Effects of changes in foreign exchange rates	7,664	27,082	14,848	951	-	50,545
December 31, 2024	$2,093,222	$5,227,377	$9,832,134	$1,119,749	$1,164,756	$19,437,238
January 1, 2023	$2,132,447	$4,873,374	$9,809,891	$965,544	$545,458	$18,326,714
Additions	-	18,065	108,562	172,415	575,393	874,435
Disposals	-	(480)	(39,102)	(74,031)	-	(113,613)
Transfers	-	93,498	2,413	14,525	16,818	127,254
Effects of changes in foreign exchange rates	(21)	(7,448)	(8,431)	43,008	153	27,261
December 31, 2023	$2,132,426	$4,977,009	$9,873,333	$1,121,461	$1,137,822	$19,242,051
Depreciation and impairment:						
January 1, 2024	$-	$1,131,530	$3,525,117	$540,914	$-	$5,197,561
Depreciation	-	124,071	400,145	167,991	-	692,207
Disposals	-	(30,002)	(122,060)	(137,490)	-	(289,552)
Effects of changes in foreign exchange rates	-	3,568	2,219	136	-	5,923
December 31, 2024	$-	$1,229,167	$3,805,421	$571,551	$-	$5,606,139
January 1, 2023	$-	$1,010,330	$3,144,289	$412,968	$-	$4,567,587
Depreciation	-	121,896	411,190	155,542	-	688,628
Disposals	-	-	(37,096)	(71,015)	-	(108,111)
Transfers	-	(1)	-	-	-	(1)
Effects of changes in foreign exchange rates	-	(695)	6,734	43,419	-	49,458
December 31, 2023	$-	$1,131,530	$3,525,117	$540,914	$-	$5,197,561
Net carrying amour						

	Land	Buildings and structures	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
December 31, 2024	$2,093,222	$3,998,210	$6,026,713	$548,198	$1,164,756	$13,831,099
December 31, 2023	$2,132,426	$3,845,479	$6,348,216	$580,547	$1,137,822	$14,044,490

The significant components of building are the main buildings, and the freight elevators, etc., which are depreciated over the useful lives of 50 years and 6 years, respectively.

Amounts and interest rate intervals of capitalized borrowings costs of property, plant and equipment:

	2024	2023
Capitalized amount	$38,674	$28,656
Capitalized interest rate interval	2.04%	1.96%

Please refer to Note 8 for the property, plant and equipment held by the Group pledge as collaterals.

9. Investment properties

	Land
Cost:	
January 1, 2024	$30,387
Additions	193,673
Disposals	(30,387)
December 31, 2024	$193,673
Cost:	
January 1, 2023	$30,387
December 31, 2023	$30,387
Net carrying amount:	
December 31, 2024	$193,673
December 31, 2023	$30,387

The investment properties held by the Group did not incur rent revenue and direct operating expenses.

As the investment properties held by the Group are not measured at fair value, only fair value information is disclosed. The fair value hierarchy is level 3. The fair values of the investment properties held by the Group amounted to NT$198,232 thousand and NT$34,985 thousand as of December 31, 2024 and 2023, respectively. The aforementioned fair values were evaluated by external independent appraisers designated by the Group, and referred to the deal price in the similar underlying targets in the website of Inquiry of Actual Price Registration of Real Estate Transactions by Ministry of the Interior. The valuation methods are the sales comparison approach and land development analysis approach. The primary input is the price per ping.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The investment properties held by the Group were not pledged as collaterals.

10. Other non-current assets

	December 31, 2024	December 31, 2023
Prepayments for equipment	$252,614	$182,356
Guaranteed deposits paid	28,977	74,031
Other non-current assets	76,031	10,558
Total	$357,622	$266,945

Please refer to Note 8 for the other non-current assets held by the Group pledge as collaterals.

11. Short-term borrowings

	December 31, 2024	December 31, 2023
Unsecured bank loans	$2,390,142	$1,792,184
Secured bank loans	444,500	377,300
Total	$2,834,642	$2,169,484

As of December 31, 2024 and 2023, the unused credit lines for short-term borrowings amounted to NT$331,500 thousand and NT$553,261 thousand, respectively.

Interest rate interval	2024	2023
Unsecured bank loans	1.87%~6.88%	1.25%~7.56%
Secured bank loans	1.875%~2.55%	1.25%~6.82%

Please refer to Note 8 for the collaterals pledged for short-term borrowings.

12. Short-term notes payables

	December 31, 2024	December 31, 2023
China Bills	$500,000	$500,000
Mega Bills	400,000	500,000
Total	$900,000	$1,000,000

	2024	2023
Interest rate interval	1.68%~1.988%	1.94%~2.16%

(Except as indicated, expressed in thousands of New Taiwan Dollars)

13. Other payables

	December 31, 2024	December 31, 2023
Payroll payables	$72,287	$89,599
Employees' bonus and directors' remuneration payables	7,708	12,469
Payables for equipment	36,825	110,089
Freight payables	52,994	55,374
Others	126,765	224,646
Total	$296,579	$492,177

14. Bond payables

	December 31, 2024	December 31, 2023
Equity components		
Par value of domestic convertible bond payables	$1,500,000	$-
Discounts on domestic convertible bond payables	(85,343)	-
Subtotal	1,414,657	-
Less: current portion	-	-
Net amount	$1,414,657	$-
Embedded derivative financial instruments	$7,650	$-
Equity components	$75,000	$-

The Company issued the fourth domestic unsecured convertible bonds with coupon rate of 0% on August 12, 2024. Based on the terms of the contract, the components of the convertible bonds include: principal debt, embedded derivative financial instruments (redemption rights of the issuer and the options of the holders to request the issuer to redeem), and equity components(options of the holders to request to convert into the issuer's ordinary shares). Primary terms of the issue are as follows:

Total amount issued: NT$1,500,000 thousand, at 100% of the par value. The total amount raised is NT$1,500,000 thousand.

Issue period: August 12, 2024 to August 12, 2027.

Significant redemption terms:

A. From the day following the three-month period after the issuance of the convertible bonds (November 13, 2024) to 40 days before the expiry of the issuance period (July 3, 2027), when the closing price of the Company's ordinary shares in TWSE exceeds the current conversion price by 30% (inclusive) for 30 consecutive business days, the Company may, within the next 30 business days, inform the holders that the Company will redeem the bonds in full prior to maturity by the par value of bonds ("the redemption price prior to maturity").

B. From the day following the three-month period after the issuance of the convertible bonds (November 13, 2024) to 40 days before the expiry of the issuance period (July 3, 2027), when the outstanding balance of the convertible bonds is lower than 10% of the original total issued amount, the Company may redeem the bonds in full prior to maturity by the redemption price prior to maturity .

C. If the creditor fails to reply in writing to the Company's stock transfer agent before the bond redemption base date as stated in the "Bond Redemption Notice" (it will take effect immediately upon delivery, and the postmark date shall be used as the basis for the post mails), the Company will redeem the convertible bonds in cash at the bond par value within five business days after the bond redemption base date.

Significant terms of selling back:

A. The day following the two-year period after the issuance of the convertible bonds (August 12, 2026) is the base date of bond holders to sell the bonds back prior to maturity. Bond holders may request the Company to redeem the bonds in cash at the bond par value within 40 days before the base date of selling back.

Conversion procedures:

A. Conversion target: ordinary shares of the Company.

B. Conversion period: during November 13, 2024 to August 12, 2027, the bond holders may request the conversion of the convertible bonds into the Company's ordinary shares, in replacement of repayments in cash.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

C. Conversion price and adjustment: the conversion price is set to be NT$72.26 per share. Once the matter regarding ordinary shares of the company resulting in adjustment in conversion price occurs in accordance with the terms of issue, the conversion price shall be adjusted by the formula stipulated in the terms of issue.

D. Redemption at maturity: the bonds at maturity that are not settled shall be repaid in cash at the bond par value by a lump-sum payment.

As of December 31, 2024, the corporate bonds are not converted.

The aforementioned financial instruments are compound financial instruments based on the analysis in accordance with IFRS 9. Therefore, the redemption price is allocated to liability components and equity components. The amount of fair value of the compound financial instruments less the amount of liability components separately measured is allocated to the equity components. The differences between the amount allocated to the liability components and the carrying amount are recognized in profit or loss. The differences between the amount allocated to the equity components and the carrying amount are recognized in “capital surplus – stock options.” As of December 31, 2024, financial assets at fair value through profit or loss of the convertible bonds amounted to NT$600 thousand.

15. Long-term borrowings

As of December 31, 2024 and 2023, the details of long-term borrowings are as follows:

Type of borrowing	December 31, 2024	Interest rate	Repayment period and method
Syndicated secured loan－Land Bank of Taiwan	$1,260,000	2.449%	The loan shall be repaid from March 24, 2024 in every six months, until March 24, 2025.
Secured bank loans	4,229,981	0.725%~6.18%	Successively due by March 2039 (repay in installments)
Unsecured bank loans	1,322,800	0.725%~2.45%	Successively due by June 2033 (repay in installments)
Subtotal	6,812,781		
Less: current portion	(1,544,738)		

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Type of borrowing	December 31, 2024	Interest rate	Repayment period and method
Less: discounts from government grant	(25,790)		
Net amount	$5,242,253		

Type of borrowing	December 31, 2023	Interest rate	Repayment period and method
Syndicated secured loan－Land Bank of Taiwan	$2,700,000	2.257%~2.26%	The loan shall be repaid from March 24, 2024 in every six months, until March 24, 2025.
Secured bank loans	3,265,753	0.6%~5.75%	Successively due by March 2039 (repay in installments)
Unsecured bank loans	2,269,222	0.6%~7.12%	Successively due by October 2029 (repay in installments)
Subtotal	8,234,975		
Less: current portion	(1,390,203)		
Less: discounts from government grant	(36,141)		
Net amount	$6,808,631		

1) The Company signed a "syndicated secured loan contract," amounting to NT$5,000,000 thousand, with the group of syndicated loan banks, including Land Bank of Taiwan, and E.SUN BANK, arranged and organized by Land Bank of Taiwan on March 24, 2021. The purposes of the loans are repayments of borrowings from financial institutions and enhancement of mid-term operating capital. As of December 31, 2024, the actual usage amount is NT$1,860,000 thousand, and the amount not used is NT$3,140,000 thousand.
   Aside from the relevant regulations in the syndicated secured loan contract, there are limitations as follows: in the duration of the syndicated loans before full repayment, the financial ratios shall be maintained as follows, and the ratios shall be calculated by the financial statements audited by CPA once a year:

   A. Current ratio [current assets/current liabilities deducting the amount of the loan due within one year and the short-term notes payables guaranteed by the loan]: it shall be maintained at least 100% (included)
   B. Financial liability ratio [short-term borrowings+short-term notes payables+current portion of long-term borrowings+corporate bonds+long-term borrowings /tangible net worth]: it shall be maintained lower than 200% (included)
   C. Tangible net worth (net worth deducting intangible assets):it shall not be lower than NT$4,000,000 thousand.

In accordance with the loan contract, in the duration of the loans, the Company shall abide by requirements of specific financial ratios, including current ratio, financial liability ratio, and tangible net worth (net worth deducting intangible assets). As of December 31, 2024, the Company did not violate the aforementioned terms of regulations.

2) On July 18 and December 13, 2019, the Company signed a loan contract at low-interest rate with First Commercial Bank to enrich mid-term operating capital and for payments of machinery equipment purchases. The loan interest is calculated and paid monthly at the floating interest rate of two-year Postal Time Deposit, with an annual interest rate of 0.1%, and will be adjusted when the pricing interest rate is changed.

16. Government grants

The Group acquired loans with preferential interest rate by "Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan" offered by the government from TAIWAN BUSINESS BANK, First Commercial Bank, Taiwan Cooperative Bank. As of December 31, 2024, the total amount is NT$2,928,783 thousand, for the purposes of operating turnover, procurement of machinery equipment and establishment of plants. The loans shall be repaid from May 2026 to May 2033. The fair value of the loan estimated by the market interest rate at the time of acquiring the loans, which is 0.725%~2.025%, is NT$2,881,030 thousand. The difference between the amount acquired and the fair value of the loan amounted to NT$47,753 thousand, which is regarded as low interest rate subsidized by the government, and recognized as deferred revenue (presented as "other non-current liabilities"). The deferred revenue shall be transferred to other revenue by straight-line method over the period of the loan contracts.

17. Pension

<u>Defined contribution plan</u>

The pension plan of the Company implemented in accordance with "Labor Pension Act." is defined contribution plan. According to the regulation, the Company and domestic subsidiaries shall make monthly contributions of at least 6% based on each individual employee's salary or wage to employees' pension accounts for employees. The Company and domestic subsidiaries have made monthly contributions of 6% based on each individual employee's salary or wage to employees' pension accounts for employees.

Based on local government regulations, the subsidiaries in Mainland China shall make contribution of a certain percentage based on each individual employee's total salary or wage to related department of the government. The pension contributions are saved in employees' independent pension accounts.

The subsidiaries and branches in other foreign countries of the Group make pension contribution to related pension management institutes based on local regulations.

The defined contribution plan of HOTATECH,INC. applies for formal employees serving for more than one year. Employees may contribute no more than 15% of salaries or wages into independent pension account, and the company shall contribute an amount equal to a certain amount of employees' contribution into the independent pension accounts, and recognize as current expenses.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The pension expenses of defined contribution plan amounted to NT$33,832 thousand and NT$27,106 thousand for the years ended December 31, 2024 and 2023, respectively.

Defined benefit plan

The Group has a defined benefit pension plan in accordance with 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 Group contribute 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 Supervisory Committee of Labor Retirement Reserve Fund (the "Fund"). Before the end of each year, the Group assesses the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the pension of employees who are eligible for retirement in the following year by the aforementioned method, the Company and domestic subsidiaries are required to fund the deficit in one appropriation before the end of next March.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house and under mandating, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate management flexibility to achieve targeted return without over-exposure to risk. With regard to utilization of pension funds, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group has no right to participate in the operation and management of the pension fund, the Group is unable to disclose the classification of fair value of the plan assets based on PAR 142 of IAS 19. As of December 31, 2023, the Group expects to make a contribution of NT$1,500 thousand to the defined benefit plan in the next year.

As of December 31, 2024, the defined benefit plan is expected to be due after 8.5 years.

The costs of defined benefit plan recognized in profit or loss are as follows:

	2024	2023

Current service cost	$1,388	$631
Net interest of net defined benefit liabilities	511	596
Total	$1,899	$1,227

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

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	$160,049	$158,858
Fair value of plan assets	(117,837)	(115,378)
Other non-current liabilities－the carrying amount of net defined benefit liabilities (assets)	$42,212	$43,480

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2023	$178,338	$(127,476)	$50,862
Current service cost	631	-	631
Interest expenses (revenue)	1,992	(1,396)	596
Subtotal	180,961	(128,872)	52,089
Remeasurement of defined benefit liabilities/ assets：			
Actuarial gains and losses on changes in demographic assumptions	9	-	9
Actuarial gains and losses on changes in financial assumptions	-	-	-
Experience adjustment	(5,420)	(100)	(5,520)
Remeasurement of defined benefit assets	-	(1,164)	(1,164)
Subtotal	(5,411)	(1,264)	(6,675)
Benefits paid	(16,692)	16,692	-
Funding by employers	-	(1,934)	(1,934)
December 31, 2023	158,858	(115,378)	43,480
Current service cost	1,388	-	1,388
Interest expenses (revenue)	1,902	(1,391)	511
Subtotal	162,148	(116,769)	45,379
Remeasurement of defined benefit liabilities/ assets：			
Actuarial gains and losses on changes in demographic assumptions	-	-	-
Actuarial gains and losses on changes in financial assumptions	(5,449)	-	(5,449)
Experience adjustment	14,984	-	14,984
Remeasurement of defined benefit assets	-	(10,924)	(10,924)
Subtotal	9,535	(10,924)	(1,389)
Benefits paid	(11,634)	11,634	-
Funding by employers	-	(1,778)	(1,778)
December 31, 2024	$160,049	$(117,837)	$42,212

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The principle underlying actuarial assumptions related to pension are as follows:

	December 31, 2024	December 31, 2023
Discount rate	1.60%	1.20%
Rate of expected future salary increase	2.00%~3.00%	3.00%

The sensitivity analysis of each significant actuarial assumption:

	2024		2023	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	$-	$3,178	$-	$2,588
Discount rate decrease by 0.25%	3,351	-	2,704	-
Expected future salary increase by 0.25%	3,040	-	2,397	-
Expected future salary decrease by 0.25%	-	2,897	-	2,309

The sensitivity analyses above have been determined based on a method that extrapolates the effects on the net defined obligation as a result of reasonable changes in key actuarial assumptions (e.g. discount rate, or expected future salary) occurring at the end of the reporting period. Practically, as the changes of assumptions may be correlated, there are some limitations in the analysis.

The method and assumptions used in the sensitivity analysis in the current period is the same as what was used in prior period.

18. Equity

1) Common stocks

As of January 1, 2023, the authorized capital is NT$3,500,000, each share at par value of NT$10, divided into 350,000 thousand shares. The number of shares issued is 279,518 thousand, and the paid-in capital is NT$2,795,175 thousand. As of December 31, 2024, there is no change.

2) Capital surplus

	December 31, 2024	December 31, 2023
Additional paid-in capital	$3,804,533	$3,804,533
Changes in interests in ownership of subsidiaries recognized	5,667	5,667
Gains on disposals of assets	309	309
Employee stock options	23,295	23,295
Stock options	75,000	-

Total	$3,908,804	$3,833,804

According to the regulations, the capital surplus shall not be used except for making good the deficit of the company. Where a company incurs no loss, it may distribute the income derived from the issuance of new shares at a premium, and the income from endowments received by the company, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

3) Profits distribution and dividend policies

According to the Articles of Incorporation, if there is any net profit after closing a fiscal year, the profits shall be distributed in the following order:

A. payment of all taxes and dues;
B. offsetting losses in prior years;
C. setting aside a legal capital reserve at 10% of the profits left over;
D. setting aside or rotating special reserve according to the rule set out by the government authority in charge;
E. payment of dividends to shareholders of preferred stock, with accumulated undistributed dividends;
F. setting aside employees' remuneration at no less than 2% of the profit, and directors' renumeration at no higher than 5% of the profit. The board of directors would draw up and resolve the earnings distribution proposal for the residual profit, and report to the shareholders meeting.

In addition, according to Article of Incorporation of the Company, the surplus earning distribution or loss off-setting proposal may be proposed at the close of each half fiscal year. The surplus earning distribution or loss off-setting proposals for the first half fiscal year, and the business report with the financial statements shall be forwarded to the audit committee before resolution by the board of directors.

According to the Company Act., legal reserve shall be set aside until the total amount reaches the paid-in-capital. The legal reserve may be used to make good the deficit of the company and being distributed by cash, for the portion in excess of 25% of the paid-in capital.

When distributing distributable profits, the Company shall set aside a special reserve for the difference between the balance of special reserve at first-time adoption of IFRS and the net debit elements of other components of equity according to regulations. If any of the net debit elements under other components of equity is reversed, the special reserve in the amount equal to the reversal may be reversed for profits distribution.

According to the approval letter with reference number Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021, on the Company's first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1 "First-time Adoption of

(Except as indicated, expressed in thousands of New Taiwan Dollars)

International Financial Reporting Standards," the Company shall set aside an equal amount of special reserve. When the Company uses, disposes, or reclassifies related assets, the special reserve in proportion to the appropriation may be reversed for profits distribution.

The appropriation and distribution of earnings and dividends per share for 2024, the first half fiscal year of 2024, and 2023 were proposed and resolved by the board of directors on March 13, 2025, August 8, 2024, and the regular shareholders meeting on June 13, 2024, respectively, as follows:

	Proposal for appropriation and distribution of earnings			Dividends per share (NT$)		
	2024 (Note)	First half fiscal year of 2024 (Note)	2023	2024 (Note)	First half fiscal year of 2024 (Note)	2023
Legal reserve	$19,666	$13,218	$33,849			
(Reversal) Special reserve	(111,809)		17,450			
Cash dividend of common stocks	223,614		279,517	$0.8	$-	$1.00

Note: The board of directors of the Company are authorized by the Articles of Incorporation to approve the earnings distribution proposals for 2024 and the first half fiscal year of 2024 by special resolution on March 13, 2025 and August 8, 2024, respectively.

Please refer to Note 6.23 for the information on the estimation basis and recognized amounts of employees' and directors' remuneration.

19. Non-controlling interests

	2024	2023
Beginning balance	$118,403	$125,994
Net profit (loss) attributable to non-controlling interests	898	(2,548)
Other comprehensive income attributable to non-controlling interests		
Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	1,545	84
Disposals of subsidiaries' shares	-	(5,127)
Ending balance	$120,846	$118,403

20. Operating revenue

	2024	2023
Revenue from contracts with customers		
Revenue from sales of goods	$5,774,470	$6,599,230

The relevant information on revenue from contracts with customers for the years ended December 31, 2024 and 2023 is as follows:

(Except as indicated, expressed in thousands of New Taiwan Dollars)

1) Classification of revenue

2024

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	$2,983,163	$331,481	$522,257	$1,493,143	$444,426	$5,774,470

2023

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	$3,611,939	$543,810	$227,665	$1,753,084	$462,732	$6,599,230

The revenue of the Group is recognized at a point of time.

21. Expected credit losses

	2024	2023
Operating expenses — expected credit losses		
Accounts receivables	$21	$28,298

Please refer to Note 12 for the information relevant to credit risks.

As financial assets at amortized cost held by the Group are assessed to be with low credit risk as of December 31, 2024 and 2023 (the assessment result is the same as that on January 1, 2023), the Group measures loss allowance at an amount equal to 12-month expected credit loss. As the correspondent banks of the Group have a good credit rating, no loss allowance is provided.

The Group recognizes the loss allowance for accounts receivables at an amount equal to the lifetime expected credit loss. The lifetime expected credit loss is calculated by provision matrix and evaluated based on past default experience of customers and the current financial position of the debtor, and the economic situation of the industry, and the industry outlook. As the Group’s historical credit loss experience does not show significantly different loss patterns for different customer segments, the customer groups are not further differentiated, and the expected credit loss rate is determined only by the overdue days of receivables.
The information on loss allowances estimated for accounts receivables as of December 31, 2024 and 2023 is as follows:

December 31, 2024

	Undue (Note)	Days overdue				Total
		0-120 days	121-240 days	241-361 days	Over 361 days	

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Total carrying amount	$1,860,083	$701,909	$121,377	$32,389	$119,461	$2,835,219
Loss rate	-%	0.38%	7.50%	25.50%	57.00%	
Life-time expected credit	-	(2,665)	(9,103)	(8,259)	(68,093)	(88,120)
Carrying amount	$1,860,083	$699,244	$112,274	$24,130	$51,368	$2,747,099

Note: Notes receivables held by the Group are all undue.

December 31, 2023

	Undue (Note)	Days overdue 0-120 days	121-240 days	241-361 days	Over 361 days	Total
Total carrying amount	$1,793,251	$583,436	$129,469	$107,121	$117,097	$2,730,374
Loss rate	-%	0.19%	0.62%	4.80%	68.00%	
Life-time expected credit	-	(1,096)	(802)	(5,142)	(79,626)	(86,666)
Carrying amount	$1,793,251	$582,339	$128,667	$101,979	$37,471	$2,643,707

Note: Notes receivables held by the Group are all undue.

The information on changes in loss allowances for accounts receivables for the years ended December 31, 2024 and 2023 is as follows:

	Notes receivables	Accounts receivables
January 1, 2024	$-	$86,666
Amount increased in current period	-	21
Amount written off due to uncollectibility	-	-
Effects of changes in foreign exchange rates	-	1,433
December 31, 2024	$-	$88,120
January 1, 2023	$-	$59,124
Amount increased in current period	-	28,298
Amount written off due to uncollectibility	-	-
Effects of changes in foreign exchange rates	-	(756)
December 31, 2023	$-	$86,666

22. Lease

1) The Group as the lessee

The underlying assets rent by the Group include land, buildings, and business cars, etc. The terms of the lease contracts are usually 1~38 years. The lease contracts are negotiated individually and include various terms and conditions. Except for the underlying assets of leases shall not be pledged as collaterals, there is no other restriction.

The impacts on the Group’s financial position, financial performance, and cash flows by lease are explained as follows:

(Except as indicated, expressed in thousands of New Taiwan Dollars)

A. Amounts recognized in the balance sheets

a. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2024	December 31, 2023
Land	$271,675	$276,936
Buildings and structures	27,535	41,783
Machinery equipment	-	13,711
Transportation equipment	6,146	-
Total	$305,356	$332,430

The additions in right-of-use assets for the years ended December 31, 2024 and 2023 amounted to NT$49,720 thousand and NT$38,702 thousand, respectively.

b. Lease liabilities

	December 31, 2024	December 31, 2023
Current	$13,031	$22,613
Non-current	236,056	274,435
Total	$249,087	$297,048

Please refer to Note 6.24(4), finance costs, for the interest expenses arising from lease liabilities for the years ended December 31, 2024 and 2023. Please refer to Note 12.6, liquidity risk management, for the maturity analysis of lease liabilities as of December 31, 2024 and 2023.

B. Amounts recognized in statements of comprehensive income

Depreciation of right-of-use assets

	2024	2023
Land	$7,812	$8,031
Buildings and structures	10,016	11,579
Machinery equipment	-	2,887
Transportation equipment	1,391	54
Total	$19,219	$22,551

C. Income and expenses related to lease activities as a lessee

(Except as indicated, expressed in thousands of New Taiwan Dollars)

	2024	2023
Expenses of short-term lease	$7,080	$8,630

D. Cash outflows related to lease activities as a lessee

The total cash outflows arising from lease for the years ended December 31, 2024 and 2023 amounted to NT$29,658 thousand and NT$36,866 thousand, respectively.

2) The Group as the lessor

The underlying assets rent out include machinery equipment. The terms of the lease contracts are usually 3~20 years. The lease contracts are negotiated individually and include various terms and conditions. As the Group transferred substantially all the risks and rewards incidental to ownership of the underlying assets, the leases shall be classified as operating leases.

The gains recognized arising from operating lease contracts for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Relevant gains from fixed lease payments and variable lease payments depending on an index or a rate	$20,355	$30,436

The Group has signed operating lease contracts. The undiscounted lease payments receivables and the total amounts in the residual years are as follows:

	December 31, 2024	December 31, 2023
Within 1 year	$959	$6,209
Over 1 year but within 2 years	353	254
Over 2 years but within 3 years	50	203
Over 3 years but within 4 years	50	50
Over 4 years but within 5 years	50	50
Over 5 years	350	400
Total	$1,812	$7,166

23. Employee Benefits, depreciation, and amortization expenses categorized by function are as follows:

By function / By nature	2024			2023		
	Recognized in operating costs	Recognized in operating expenses	Total	Recognized in operating costs	Recognized in operating expenses	Total
Employee benefits						
Payroll expenses	$563,176	$146,741	$709,917	$666,345	$155,437	$821,782

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Labor and health insurance	59,724	12,601	72,325	73,322	14,560	87,882
Pension expenses	22,948	10,515	33,463	28,247	8,061	36,308
Other employee benefits expenses	43,804	11,530	55,334	53,728	12,355	66,083
Depreciation expenses	672,217	39,209	711,426	677,680	33,499	711,179
Amortization expenses	3,077	2,012	5,089	2,660	2,075	4,735

According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate no less than 2% of annual profits, and to directors at the rate of no higher than 5% of annual profits during the period; provided, however, that when the Company has accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees and directors. The employees' remuneration shall be distributed in stock or cash. The resolution shall be made by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and reported to the shareholders meeting. The information about the employees' and directors' remuneration resolved by the board of directors is available on the Market Observation Post System website.

Based on the profit status for the year ended December 31, 2024, the employee's and directors' remuneration are accrued at 2.16% and 0.52%, respectively. The employee's and directors' remuneration recognized for the year ended December 31, 2024 amounted to NT$5,000 thousand and NT$1,200 thousand, respectively, which were presented under payroll expenses. Based on the profit status for the year ended December 31, 2023, the employee's and directors' remuneration are accrued at 2.18% and 0.79%, respectively. The employee's and directors' remuneration recognized for the year ended December 31, 2023 amounted to NT$8,100 thousand and NT$2,947 thousand, respectively, which were presented under payroll expenses.

The board of directors has resolved to pay the employees' and directors' remuneration amounting to NT$5,000 thousand and NT$1,200 thousand, respectively, in cash on March 13, 2025. The amount is not significantly different from the expenses recognized in the financial statements for the year ended December 31, 2024.

The board of directors has resolved to pay the employees' and directors' remuneration amounting to NT$8,100 thousand and NT$2,947 thousand, respectively, in cash on March 14, 2024. The amount is not significantly different from the expenses recognized in the financial statements for the year ended December 31, 2023.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

24. Non-operating income and expenses

1) Interest income

	2024	2023
Interest revenue from bank deposits	$10,558	$7,792
Financial assets at amortized cost	1,956	1,970
Other interest income	662	272
Total	$13,176	$10,034

2) Other income

	2024	2023
Rent income	$20,355	$30,436
Revenue from government grants	13,650	11,138
Dividend income	8,556	4,932
Other income－others	56,626	39,545
Total	$99,187	$86,051

3) Other gains and losses

	2024	2023
Gains on disposal of property, plant and equipment	$172,414	$5,471
Gains on disposal of investment properties	46,906	-
Losses on disposal of investments	(2,485)	-
Foreign exchange net gains	181,243	16,679
(Losses) on financial assets and liabilities at fair value through profit or loss	1,832	(1,650)
Miscellaneous expenses	(430)	(3,038)
Total	$399,480	$17,462

4) Finance costs

	2024	2023
Interests arising from bank loans	$166,155	$182,585
Interests arising from bond payables	12,455	-
Interests arising from lease liabilities	4,917	4,276
Total	$183,527	$186,861

25. Other comprehensive income

The components of other comprehensive income for the years ended December 31, 2024 are as follows:

	Arising in current period	Reclassification in current period	Other comprehensive income	Income tax benefits (expenses)	Amount net of tax

Items not to be reclassified into profit or loss:					
Remeasurements of defined benefit plans	$2,279	$-	$2,279	$(473)	$1,806
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	29,737	-	29,737	-	29,737
Share of other comprehensive income of associates and joint ventures accounted for using equity method－items that will not be reclassified subsequently to profit or loss	8,095	-	8,095	-	8,095
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	30,275	-	30,275	-	30,275
Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	44,986	-	44,986	-	44,986
Share of other comprehensive income of associates accounted for using equity method	51	-	51	-	51
Total	$115,423	$-	$115,423	$(473)	$114,950

The components of other comprehensive income for the years ended December 31, 2023 are as follows:

	Arising in current period	Reclassification in current period	Other comprehensive income	Income tax benefits (expenses)	Amount net of tax
Items not to be reclassified into profit or loss:					
Remeasurements of defined benefit plans	$5,525	$-	$5,525	$(1,140)	$4,385
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	4,287	-	4,287	-	4,287
Share of other comprehensive income of associates and joint ventures accounted for using equity method－items that will not be reclassified subsequently to profit or loss	(2,746)	-	(2,746)	-	(2,746)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(3,131)	-	(3,131)	(3,306)	(6,437)
Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	(4,127)	-	(4,127)	-	(4,127)
Share of other comprehensive income of associates accounted for using equity method	(1,454)	-	(1,454)	-	(1,454)
Total	$(1,646)	$-	$(1,646)	$(4,446)	$(6,092)

26. Income tax

The major components of income tax expenses for the years ended December 31, 2024 and 2023 are as follows:

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Income tax recognized in profit or loss

	2024	2023
Current income tax expenses (benefit):		
Current income tax payables	$1,019	$97,822
Underestimation (overestimation) to income tax in prior years	2,315	(38,827)
Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings	-	3,882
Deferred income tax expenses:		
Deferred income tax expenses related to origination and reversal of temporary differences	35,136	(24,940)
Income tax expenses	$38,470	$37,937

Income tax recognized in other comprehensive income

	2024	2023
Current income tax expenses:		
Exchange differences arising on translation of foreign operations	$-	$3,306
Remeasurement of defined benefit plans	473	1,140
Income tax related to components of other comprehensive income	$473	$4,446

A reconciliation between tax expenses and the product of accounting profit multiplied by applicable tax rates is as follows:

	2024	2023
Profit before tax from continuing operations	$234,428	$362,600
Tax payables at the enacted tax rates	$46,886	$72,520
Effect of difference tax rates of operating entities in other tax regions	32,795	1,205
Tax effect of tax-exempt income	(81,858)	(8,084)
Tax effect of non-deductible expenses	313	7,178
Tax effect of deferred tax assets/liabilities	36,867	-
Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings	-	3,882
Adjustments in the current period relating to current income tax in prior years	2,315	(38,827)
Tax effect of other adjustments in accordance with tax laws	1,152	63
Total income tax expenses recognized in profit or loss	$38,470	$37,937

The balances of deferred tax assets (liabilities) are related to the items as follows:

2024

	Beginning	Recognized	Recognized	Ending

	balance	in profit or loss	in other comprehensive income	balance
Temporary differences				
Inventory valuation and obsolescence losses	$24,612	$-	$-	$24,612
Unrealized exchange losses (gains)	13,018	(35,499)	-	(22,481)
Unrealized transactions among the entities in within the Group	2,532	(864)	-	1,668
Allowance for doubtful debts	4,011	(40)	-	3,971
Unrealized employees' bonus	456	(187)	-	269
Remeasurement of defined benefit obligations	1,229	-	(473)	756
Book-tax difference in depreciation	(30,091)	8,000	-	(22,091)
Exchange differences arising on translation of foreign operations	(3,948)	-	-	(3,948)
Gains and losses from investments accounted for using equity method	14,446	-	-	14,446
Land Value Increment Tax	(1,417)	-	-	(1,417)
Net defined benefit liabilities – non-current	590	5	-	595
Other deferred tax liabilities	-	(8,282)	-	(8,282)
Deferred income tax benefit (expenses)		$(36,867)	$(473)	
Net deferred tax assets/(liabilities)	$25,438			$(11,902)
Information presented in balance sheets is as follows:				
Deferred tax assets	$48,391			$47,987
Deferred tax liabilities	$22,953			$ 59,889

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Inventory valuation and obsolescence losses	$23,312	$1,300	$-	$24,612
Unrealized exchange losses (gains)	(7,341)	20,359	-	13,018
Unrealized transactions among the entities in within the Group	2,800	(268)	-	2,532
Allowance for doubtful debts	4,496	(485)	-	4,011
Unrealized employees' bonus	1,992	(1,536)	-	456
Net defined benefit liabilities—non-current	2,959	-	(1,140)	1,819
Book-tax difference in depreciation	(37,254)	7,163	-	(30,091)
Exchange differences arising on	(642)	-	(3,306)	(3,948)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

translation of foreign operations				
Gains and losses from investments accounted for using equity method	12,737	1,709	-	14,446
Land Value Increment Tax	(1,417)	-	-	(1,417)
Deferred income tax benefit (expenses)		$28,242	$(4,446)	
Net deferred tax assets/(liabilities)	$1,642			$25,438
Information presented in balance sheets is as follows:				
Deferred tax assets	$48,296			$48,391
Deferred tax liabilities	$46,654			$22,953

Declaration and verification of income tax

As of December 31, 2024, the Group is under the tax jurisdiction of Taiwan. The declaration and verification of the Group’s income tax are as follows:

	Declaration and verification of income tax
The Company	Verified until 2022
Howin Precision Company Limited	Verified until 2022
Hozuan Investment Company Limited	Verified until 2022
Juda Intelligent Technology	Verified until 2022
Hefu Construction Co., Ltd	Verified until 2022
Helun Precision Co., Ltd.	Verified until 2022

As of December 31, 2024, the Group’s foreign subsidiaries are under the tax jurisdiction of foreign government, and the tax has been declared until 2023.

27. Earnings per share

Basic earnings per share are calculated by dividing net income for the year attributable to common stocks shareholders of the Company by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net income attributable to common stocks shareholders of the Company (after adjusting interests of convertible bonds) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

	2024	2023
1) Basic earnings per share		
Net income for the year attributable to common stocks shareholders (NT$ thousand)	$195,060	$327,211

(Except as indicated, expressed in thousands of New Taiwan Dollars)

	2024	2023
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	279,518	279,518
Basic earnings per share (NT$)	$0.70	$1.17

2) Diluted earnings per share

	2024	2023
Net income for the year attributable to common stocks shareholders after adjusting dilutive effects (NT$ thousand)	$195,060	$327,211
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	279,518	279,518
Dilutive effect		
Employees' remuneration－stock (thousands of shares) (Note)	105	136
Weighted average number of common stocks outstanding of basic earnings per share after adjusting dilutive effects (thousands of shares)	279,623	279,654
Diluted earnings per share (NT$)	$0.70	$1.17

Note: When calculating the diluted earnings per share, assume the employees' remunerations to be paid in stock, and add the diluted potential ordinary shares into the calculation of diluted weighted average number of ordinary shares outstanding to calculate the diluted earnings per share.

After the reporting period and before the financial statements being authorized for issue, there is no other transaction resulting in the changes in the number of outstanding common stocks or potential common stock at the end of the period.

(7) Related party transactions

The related parties that have transactions with the Company during the reporting period are as follows:

Names and relationships of related parties

Name of the related party	Relationship with the Company
KAO FONG MACHINERY CO., LTD. (KAO FONG MACHINERY)	Associate of the Company
GLOBAL TECHNOS LTD.(GLOBAL)	Other related party of the Company
MAIN DRIVE CORPORATION	Other related party of the Company
Shen, Chien-Yu	First-degree relative of chairman of the Company

1. Operating revenue

	2024	2023
KAO FONG MACHINERY	$1,078	$1,476
Others	1,678	2,002

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Total	$2,756	$3,478

The Group sells to the aforementioned associates based on general sales prices and conditions. The payment terms are 30~60 days, but the payment terms for general customers are 90~180 days.

2. Manufacturing expenses

	2024	2023
KAO FONG MACHINERY	$63,989	$85,568
Others	224	78
Total	$64,213	$85,646

Processing costs are based on general processing prices and conditions, and paid within 60~120 days after inspection.

3. Lease－related parties

Rent expenditures

	2024	2023
KAO FONG MACHINERY	$1,800	$1,800

The rents of the underlying assets of the aforementioned lease are determined by the rent in the neighborhood at the commence date and the size of the area rent. Rents are collected every 30 days.

Rent income

	2024	2023
KAO FONG MACHINERY	$600	$600

The rents of the underlying assets of the aforementioned lease are determined by the rent in the neighborhood at the commence date and the size of the area rent. Rents are collected every 30 days.

4. Property transactions

Acquisition of shares

	2024	2023
KAO FONG MACHINERY	$-	$1,000

The Group acquired 16.67% of Juda’s shares by cash of NT$1,000 thousand from KAO FONG MACHINERY CO., LTD. in March 2023.

Acquisition of property, plant and equipment

	2024	2023
KAO FONG MACHINERY	$3,445	$5,271
Others	-	33
Total	$3,445	$5,304

Sales of properties

The Company and the subsidiary, Hefu Construction Co., Ltd, jointly constructed and sold in partitions in the Chiayi Dachi construction project. For the year ended December 31, 2024, the land and building sold to the related party, Shen, Chien-Yu amounted to NT$1,102 thousand. The sales to related parties are based on general sales prices and conditions.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

5. Receivables from related parties

	December 31, 2024	December 31, 2023
KAO FONG MACHINERY	$459	$-

6. Payables to related parties

	December 31, 2024	December 31, 2023
KAO FONG MACHINERY	$10,388	$9,817

7. Key management personnel compensation of the Group

	2024	2023
Short-term employee benefits	$42,888	$44,324
Post-employments benefits	1,597	1,614
Total	$44,485	$45,938

(8) Pledged assets

The assets held by the Group were pledged as collateral to banks or lease companies for acquiring credit lines as follows:

	Carrying amount		
Item	December 31, 2024	December 31, 2023	Purpose of pledge
Property, plant and equipment	$6,969,527	$7,509,174	Long-term and short-term borrowings
Investments accounted for using equity method	90,620	85,222	Short-term borrowings
Financial assets at amortized cost	259,099	46,640	Guaranteed deposits for projects, issuing letter of credit
Other non-current assets	1,515	1,515	Guarantee for credit lines, long-term borrowings
Total	$7,320,761	$7,642,551	

(9) Significant contingencies and unrecognized contract commitments

1. As of December 31, 2024 and 2023, the issued but unused letters of credit for purchasing raw materials and machinery equipment amounted to NT$105,735 thousand and NT$78,480 thousand, respectively.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

2. Significant contract commitments－purchase amount that the performance obligations are not completed

	December 31, 2024	December 31, 2023
Raw materials and property, plant and equipment	$584,969	$535,188

3. The subsidiary of the Group Howon (Whaian) Automobile Components Company Limited, signed development incentive agreement with Jiangsu Province Huai'an Economic Development Zone Administration, and obtained land use right subsidy of NT$38,369 thousand (CNY7,919 thousand), which was recognized in other non-current liabilities and will be recognized in revenue year by year according to the land use right of 50 years (from 2016 to 2065). The other revenue recognized for the years ended December 31, 2024 and 2023 amounted to NT$1,300 thousand and NT$696 thousand, respectively.

(10) Losses due to major disasters

None.

(11) Significant subsequent events

None.

(12) Others

1. Capital management

The Group's management capital is based on industry scale of operating business, taking into consideration of the industry future growth and product developments, and sets up an appropriate market share, according to that, plans corresponding capital expenditure. In addition to calculate demanded working capital based on financial operating plans, and finally determine an appropriate cost structure by considering operating income and cash flow arising from product competitivity.

The Group monitors working capital through regularly reviewing the ratio of liabilities to assets. The ratios of liabilities to assets of the Group for the years ended December 31, 2024 and 2023, are as follows:

	December 31, 2024	December 31, 2023
Total assets	$22,442,497	$22,327,271
Total liabilities	13,494,230	13,485,395
Raio of liabilities to assets	60%	60%

2. Types of financial instruments

Financial assets	December 31, 2024	December 31, 2023
Financial assets at fair value through		

Financial assets	December 31, 2024	December 31, 2023
profit or loss		
Financial assets mandatorily at fair value through profit or loss	$11,942	$14,325
Financial assets at fair value through other comprehensive income		
Investments in equity instruments elected to be measured at fair value through other comprehensive income	289,498	230,930
Accounts receivables	-	678,026
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand)	772,614	784,393
Financial assets at amortized cost	263,370	46,640
Notes receivables	26,423	18,973
Accounts receivables (including related parties)	2,720,676	1,946,708
Other receivables	26,497	96,711
Guaranteed deposits paid	28,977	74,031
Total	$4,139,997	$3,890,737

Financial liabilities	December 31, 2023	December 31, 2022
Financial liabilities at amortized cost		
Short-term borrowings	$2,834,642	$2,169,484
Short-term notes payables	900,000	1,000,000
Notes payables	453,720	423,851
Accounts payables	289,099	508,130
Other payables	296,579	492,177
Bond payables (including current portion)	1,414,657	-
Long-term borrowings (including current portion)	6,786,991	8,198,834
Lease liabilities	249,087	297,048
Financial liabilities at fair value through profit or loss		
Financial liabilities designated to be measured at fair value through profit or loss	8,250	-
Total	$13,233,025	$13,089,524

3. Objective and policies of financial risk management

The Group’s principal objective of financial risk management is to manage the market risk, credit risk, and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on the Group’s policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before the Group enters into significant financial activities, the board of directors and audit committee must carry out due approval process based on related protocols and internal control procedures. When implementing financial management activities, the Group shall comply with its financial risk management regulations strictly.

4. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risk (e.g. equity instrument)

In practice, it is rarely the case that a single risk variable would change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed as follows does not take into account the interdependence between risk variables.

Foreign currency risk

The Group’s exposure to foreign currency risk relates primarily to the Group’s operating activities (when revenue or expenses are denominated in a different currency from the Group’s functional currency) and the Group’s net investments in foreign operations.

Some of the receivables and payables are denominated in the same foreign currencies; thus, the positions would benefit from the natural hedging effect. The foreign currency risk of some of the payments denominated in foreign currencies is managed by forward exchange contracts. However, managing foreign currency risk by natural hedging and forward exchange contracts do not qualify for hedge accounting, hedge accounting was not used. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Group.

The sensitivity analysis of the Group’s foreign currency risk are mainly toward the effects on the Group’s profit or loss and equity of related appreciation and depreciation of foreign currencies arising from the monetary items denominated in main foreign currencies at the end of the reporting period. The foreign currency risk is mainly affected by the fluctuations of the exchange rate of USD and EURO, and the results of the sensitivity analyses are as follows:

A strengthening/weakening of 1% of the NTD against the USD, would have decreased/increased the profit or loss for the years ended December 31, 2024 and 2023 by NT$22,177 thousands and NT$16,100 thousands, respectively.

A strengthening/weakening of 1% of the NTD against the EURO, would have decreased/increased the profit or loss for the years ended December 31, 2024 and 2023 by NT$4,118 thousands and NT$2,161 thousands, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates. The Group's exposure to the interest rate risk relates primarily to the Group's investments in debt instruments at floating rate, borrowings with fixed interest rates and borrowings with floating interest rates.

The Group manages interest rate risk by maintaining appropriate combination of fixed and floating interest rate instruments, and utilizing interest rate swap contracts. However, as those methods do not qualify for hedge accounting, hedge accounting was not used.

The sensitivity analyses of interest rate risk are performed on borrowings at floating interest rates at the end of the reporting period, and assume holding them for a fiscal year. An increase/decrease of 0.1% of interest rate, would have decrease/increase the profit for the years ended December 31, 2024 and 2023 by NT$10,522 thousands and NT$10,368 thousands, respectively.

Equity price risk

The fair values of the unlisted equity securities by the Group are susceptible to the investment targets' uncertainty about future value. The unlisted equity securities held by the Group are recognized as financial asset at fair value through other comprehensive income. The Group manages the price risk of equity securities by diversified investments and setting the upper limit to investment in a single equity security and to the whole equity securities investments. The portfolio information on equity securities shall be provided to high level of management of the Group on a regular basis, and the decision of all the equity securities investments shall be reviewed and approved by the board of directors.

Please refer to Note 12.8 for the sensitivity analysis information on other equity instruments and derivative instruments linked with equity instruments, with fair value hierarchy of level 3.

5. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. The Group is exposed to credit risks from operating activities (primarily accounts and notes receivables) and financial activities (primarily bank deposits and various financial instruments)

Each operating unit of the Group follows the credit risk policies, procedures and controls to manage the credit risk. The credit risk assessment is comprehensively based on the financial condition of counterparties, the credit rating, historical transaction experiences, current economic environment, and the Group's internal rating, etc. Additionally, the Group uses some credit enhancement instruments (e.g. advance sales receipts, etc.) to decrease the credit risk of specific counterparties.

As of December 31, 2024 and 2023, the Group's five largest customers accounted for 83.21% and 79.29% of accounts receivables, respectively. The

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Group considers the concentration of credit risk for the remaining accounts receivables not material.

The finance department of the Group manages the credit risk of bank deposits, fixed income securities, and other financial instruments based on the Group's policies. As the counterparties of transactions are determined by the internal control procedures, they are reputable banks and investment grade financial institutions, companies, and government agencies. There's no significant concern over the performance of contracts; thus, there's no material credit risk.

6. Liquidity risk management

The Group maintains financial flexibility by cash and cash equivalents, security with high liquidity, bank loans, convertible bonds, and contracts, such as leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the earliest maturity and the contractual undiscounted cash flows. The amounts include contractual interests. For the cash flows of floating rate interests, the undiscounted interests were derived by the yield curve as of the end of the reporting period.

Non-derivative financial instruments

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2024					
Short-term borrowings	$2,842,850	$-	$-	$-	$2,842,850
Short-term notes payables	900,000	-	-	-	900,000
Notes payables	453,720	-	-	-	453,720
Accounts payables	289,099	-	-	-	289,099
Other payables	296,579	-	-	-	296,579
Convertible bonds	-	-	1,500,000	-	1,500,000
Lease liabilities	18,113	18,132	44,263	252,846	333,354
Long-term borrowings	1,636,936	3,325,828	1,251,194	1,425,310	7,639,268
December 31, 2023					
Short-term borrowings	$2,176,303	$-	$-	$-	$2,176,303
Short-term notes payables	1,000,000	-	-	-	1,000,000
Notes payables	423,851	-	-	-	423,851
Accounts payables	508,130	-	-	-	508,130
Other payables	492,177	-	-	-	492,177
Lease liabilities	27,066	19,419	54,825	264,866	366,176

(Except as indicated, expressed in thousands of New Taiwan Dollars)

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Long-term borrowings	1,710,041	3,057,501	3,353,653	1,838,784	9,959,979

7. Reconciliation of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2024:

	Short-term borrowings	Short-term notes payables	Long-term borrowings	Lease liabilities	Bond payables	Total liabilities from financing activities
January 1, 2024	$2,169,484	$1,000,000	$8,198,834	$297,048	$-	$11,665,366
Cash flows	659,709	(100,000)	(1,459,684)	(22,578)	1,485,452	562,899
Non-cash changes	-	-	-	(25,383)	(70,795)	(96,178)
Changes in exchange rate	5,449	-	47,841	-	-	53,290
December 31, 2024	$2,834,642	$900,000	$6,786,991	$249,087	$1,414,657	$12,185,377

Reconciliation schedule of liabilities for the year ended December 31, 2023:

	Short-term borrowings	Short-term notes payables	Long-term borrowings	Lease liabilities	Bond payables	Total liabilities from financing activities
January 1, 2023	$2,060,484	$1,060,000	$7,987,585	$281,343	$-	$11,389,412
Cash flows	110,285	(60,000)	227,076	(23,960)	-	253,401
Non-cash changes	-	-	-	39,665	-	39,665
Changes in exchange rate	(1,285)	-	(15,827)	-	-	(17,112)
December 31, 2023	$2,169,484	$1,000,000	$8,198,834	$297,048	$-	$11,665,366

8. Fair value of financial instruments

1) The valuation techniques and assumptions used to measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used to measure or disclose the fair value of financial assets and liabilities are as follows:

A. All the carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities is the reasonable approximation of fair value, because the duration of the aforementioned instruments is short.

B. The fair value of financial assets and liabilities with standardized terms and conditions traded in an active market is determined by referring the market quoted prices (e.g. stocks of listed companies, beneficiary certificate, bonds, and futures, etc.)

C. The fair value of equity instruments without active markets (e.g. private placement stocks of listed companies, stocks of public offering companies without active market, and stocks of non-public offering companies) is assessed by the market approach, which uses prices and other relevant information (inputs such as discount for lack of marketability analysis, the P/E ratio of comparable companies, and P/B ratio of comparable companies, etc.) generated by market transactions involving identical or comparable equity instruments.

D. The fair values of bank loans and other non-current liabilities without active market quotations are determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions, such as the interest rate and discount rate, are primarily based on relevant information of similar instruments (e.g. yield curves published by Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

E. The fair values of derivative financial instruments, which are not options, are determined based on the counterparty prices or discounted cash flow analysis by the yield curve applicable in the duration. For derivative financial instruments, which are not options, the fair values are determined based on the counterparty prices, appropriate option pricing models (e.g. Monte Carlo Simulation), or other valuation methods.

2) Fair value of financial instruments at amortized cost

The carrying amounts of financial assets and liabilities are close to fair value of the instruments.

3) Relevant information on fair value hierarchy of financial instruments

Please refer to Note 12.9 for the information on fair value hierarchy of financial instruments.

9. Fair value hierarchy

1) Definition of fair value hierarchy

Measuring and disclosing all of the assets and liabilities is to categorize the fair value hierarchy by the lowest level input that is significant to the entire measurement. The inputs of each level are as follows:

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Level 1：quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

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 assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

2) The information of fair value hierarchy

The Group does not hold assets and liabilities measured at fair value on a non-recurring basis. The information on the fair value hierarchy for the assets measured at fair value on a recurring basis is as follows:

December 31, 2024	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Equity securities	$11,342	-	-	$11,342
Redemption rights of corporate bonds	-	600	-	600
Financial assets at fair value through other comprehensive income				
Equity securities	113,955	-	175,543	289,498
Total	$125,297	$600	$175,543	$301,440
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Put options of corporate bonds	$-	$8,250	$-	$8,250

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair				

December 31, 2023	Level 1	Level 2	Level 3	Total
value through profit or loss				
Equity securities	$14,325	$-	$-	$14,325
Financial assets at fair value through other comprehensive income				
Equity securities	90,290	-	140,640	230,930
Accounts receivables	-	678,026	-	678,026
Total	$104,615	$678,026	$140,640	$923,281

The methods and assumptions used to measure fair value are explained as follows:

The instruments using market quoted price as the inputs of fair value (level 1) are listed below based on the characteristics:

	Stocks of listed companies	Open-ended funds
Market quoted price	Closing prices at the valuation date	Net worth at the valuation date

Transfers between fair value hierarchy of level 1 and level 2

For the years ended December 31, 2024 and 2023, there is no transfers between the fair value hierarchy of level 1 and level 2 in assets and liabilities measured at fair value on a recurring basis.

Changes in level 3 for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Beginning balance	$140,640	$65,040
Additions and reductions in the current period	14,470	89,085
Gains (losses) recognized in other comprehensive income	20,433	(13,485)
Ending balance	$175,543	$140,640

Valuation procedures of level 3 fair value measurement

The finance department of the parent company of the Group is responsible for verification of fair value, which ensure the rationality of the valuation results by making the valuation results to be close to the market condition by data from independent sources, confirming the sources of data are independent, reliable, consistent with other resources, and representative to exercisable prices, and analyzing the changes in values of assets and liabilities that have to be remeasured or revaluated in accordance with the accounting policies of the Group at each reporting date.

3) The information of fair value hierarchy for the assets not measured at fair value which shall be disclosed is as follows

December 31, 2024	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.9)	$-	$-	$198,232	$198,232

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.9)	$-	$-	$34,985	$34,985

10. Information on significant assets and liabilities denominated in foreign currencies

The information on significant assets and liabilities denominated in foreign currencies is as follows:

Expressed in thousands of New Taiwan Dollars

	December 31, 2024			December 31, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD:NTD	$71,343	32.79	$2,339,337	$77,962	30.71	$2,394,213
EUR:NTD	12,066	34.14	411,933	7,898	33.98	268,374
Financial liabilities						
Monetary items						
USD:NTD	$3,699	32.79	$121,290	$25,529	30.71	$783,996
EUR:NTD	4	34.14	137	1,536	33.98	52,193

As there were various functional currencies of each entity of the Group, the Group was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The Group recognized net exchange net gains amounted to NT$181,243 thousand and NT$16,679 thousand for the years ended December 31, 2024 and 2023, respectively.

The aforementioned information is disclosed based on the carrying amounts of foreign currencies (after being converted into functional currency).

(13) Other disclosures

1. Information on significant transactions

1) Loans to others：Table 1

2) Provision of endorsements and guarantees to others：Table 2

3) Holding of marketable securities at the end of the period：Table 3

4) Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company's paid-in capital or more：None.

5) Acquisition of real estate reaching NT$300 million or 20% of the Company's paid-in capital or more：None.

6) Disposal of real estate reaching NT$300 million or 20% of the Company's paid-in capital or more：None.

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more：None.

8) Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more：None.

9) Trading in derivative instruments：None.

10) Others：Business relationships among the parent company and subsidiaries, and significant intercompany transactions (amount reaching NT$100 million or 20% of paid-in capital or more)：None.

2. Information on investees：Table 4

3. Information on Investees in Mainland China

1) The Company reinvested in investees in Mainland China by Captain Holding Co., Ltd.：Please refer to Table 5.

2) Significant transactions directly or indirectly through the third region with the investees in Mainland China, and the prices, payment terms, and unrealized gains and losses：The amount of purchases by the Company from the investees in Mainland China does not reach 10% of the total purchases for the years ended December 31, 2024. The prices are based on general purchase prices, and payments are made in advance.

4. Information on major shareholders：

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Information on major shareholders：No individual shareholder holds over 5%of the shares.

(14) Segment information

General information

The Group operates in a single industry, and the Group assesses performance and allocates resources from the perspective of the entire Group. Therefore, the Group is a reportable segment.

Operating segments are not combined to compose the aforementioned reportable operating segment.

The operations results of the operating segment are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance, and are measured by the same way as the operating gains and losses in the consolidated financial statements. However, the income tax in the consolidated financial statements is managed on the basis of the Group, without allocating operating segments.

The transfer pricing among operating segments is based on a similar regular transaction with external third parties.

The information on profit or loss and assets of the reportable segment is as follows:

2024

	Hota	Others	Write-offs	Total
Revenue				
Revenue from external customers	$5,024,939	$749,531	$-	$5,774,470
Intra-segment revenue	15,672	99,893	(115,565)	-
Total revenue	$5,040,611	$849,424	$(115,565)	$5,774,470
Segment profit or loss	$225,098	$192,157	$(182,827)	$234,428

2023

	Hota	Others	Write-offs	Total
Revenue				
Revenue from external customers	$6,040,490	$558,740	$-	$6,599,230
Intra-segment revenue	62,955	88,224	(151,179)	-
Total revenue	$6,103,445	$646,964	$(151,179)	$6,599,230
Segment profit or loss	$360,969	$8,545	$(6,914)	$362,600

The reportable segment of the Group classified business structure by operating companies.

Revenues of the Group primarily arise from manufacture and sales of automobiles, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool.

(Except as indicated, expressed in thousands of New Taiwan Dollars)

1. Information on reconciliation of segment profit or loss, assets and liabilities

Intra-segment sales are based on the rule of fair trade. The external revenue reported to the chief operating decision maker is measured in the same way as the revenue in the income statements.

The reconciliation of total segment revenue and the revenue from continuing operations is as follows:

	2024	2023
Operating segment revenue	$5,890,035	$6,750,409
Elimination of intra-segment gains	(115,565)	(151,179)
Total consolidated operating revenue	$5,774,470	$6,599,230

The reconciliation of segment net income before tax and net income before tax of continuing operation is as follows:

	2024	2023
Segment net income before tax	$417,255	$369,514
Elimination of intra-segment losses	(182,827)	(6,914)
Total consolidated net income before tax	$234,428	$362,600

The amount of total assets provided for the chief operating decision maker is measured in the same way as the assets in the financial statements of the Company.

The amount of total liabilities provided for the chief operating decision maker is measured in the same way as the liabilities in the financial statements of the Company.

Table 1：Loans to others

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No. (Note 1)	Name of lender	Name of borrower	Account	Related party	Highest balance during the period	Ending balance (Note 6)	Actual usage amount	Interest rate interval	Nature of the financing (Note 4)	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 2)	Note
													Name	Value			
0	Hota Industrial Manufacturing Company	YUNG-CHIN DEVELOP FORGING CO., LTD.	Other receivables	N	$9,600	$7,200	$4,800	2.75	2	$-	Procurement of equipment	$-	None	$-	$1,765,484	$3,530,968	
0	Hota Industrial Manufacturing Company	JIAN Li Co.	Other receivables	N	6,000	6,000	6,000	2.75	2	-	Procurement of equipment	-	None	-	1,765,484	3,530,968	
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	Other receivables	Y	196,710	196,710	-	3.00	2	-	Operating turnover	-	None	-	1,765,484	3,530,968	5

Note 1：The “No.” column shall be filled as follows：
(1) The issuer is 0.
(2) The investees are sequentially numbered from 1.
Note 2：The Company regulates that the maximum limit of fund financing shall not exceed 40% of the net worth of the Company.
Note 3：The Company regulates that the individual funding loan limit shall not exceed 20% of the net worth of the Company.
Note 4：(1) The Company has business relations with the company. (2) In need of short-term financing.
Note 5：The amounts have been eliminated in the consolidated financial statements.
Note 6：Ending balance is the same as the fund financing amount approved by the board of directors.

Table 2：Provision of endorsements and guarantees to others

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

No. (Note 1)	Name of endorser and guarantor	Guarantee and endorsee		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantee and endorsements during the period (Note 4)	Balance of guarantees and endorsements, end of the period (Note 5)	Actual usage amount (Note 6)	Amount of property pledged for guarantee and endorsement	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to subsidiary (Note 7)	Subsidiary endorsements/guarantees to the parent company (Note 7)	Endorsements/guarantees to third parties on behalf of companies in Mainland China (Note 7)	Note
		Company name	Relationship (Note 2)											
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	$1,765,484	$266,214	$266,214	$238,150	$-	3.02%	$3,530,968	Y	N	Y	Note 7
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,765,484	255,723	255,723	255,723	-	2.90%	3,530,968	Y	N	Y	Note 8
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,765,484	98,355	98,355	98,355	-	1.11%	3,530,968	Y	N	Y	Note 9
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,765,484	246,290	246,290	213,860	-	2.79%	3,530,968	Y	N	Y	Note 9
0	Hota Industrial Manufacturing Company	Hefu Construction Co., Ltd	6	1,765,484	156,000	-	-	-	-%	3,530,968	Y	N	N	

Note 1：The “No.” column shall be filled as follows：

(1). The issuer is 0.
(2). The investees are sequentially numbered from 1.

Note 2：There are 7 types of relationships between the endorser/guarantor and the endorsee/guarantee. Only numbers of types shall be indicated:：

(1). Entities have business relations with the Company
(2). The Company directly or indirectly holds more than 50% of voting shares of the entity.
(3). Entity directly or indirectly owns more than 50% of voting shares of the Company.
(4).The parent directly or indirectly through subsidiaries holds more than 50% of voting shares of the entity.
(5). The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
(6). All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
(7). Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for

each other

Note 3：The endorsement provided for an individual enterprise shall not exceed 20% of the net worth, and the total endorsement provided shall not exceed 40% of the net worth.

Note 4：The maximum balance amount for guarantees and endorsements in current year.

Note 5：Actual usage amount within the limitation on amount of guarantees and endorsements

.Note 6：Fill in Y, under the circumstances of parent company endorsements/guarantees to third parties on behalf of subsidiary, subsidiary endorsements/guarantees to third parties on behalf of parent company, or endorsements/guarantees to third parties on behalf of companies in Mainland China.

Note 7：Ending balance of endorsement provided for Howon Automobile Components is USD8,120 thousand, which is translated by the exchange rate of USD:NTD 32.785：1 as of December 31, 2024.

Note 8：Ending balance of endorsement provided for Howon Automobile Components is USD7,800 thousand, which is translated by the exchange rate of USD:NTD 32.785：1 as of December 31, 2024.

Note 9：Ending balance of endorsement provided for Howon Automobile Components is USD3,000 thousand and CNY55,000 thousand, which is translated by the exchange rate of USD:NTD 32.785：1 and CNY:NTD 4.478:1 as of December 31, 2024.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 3：Holding of marketable securities at the end of the period（excluding investments in subsidiaries, associates, and joint ventures

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Holding company	Type of the security	Name of the security	Relationship with the issuer	Account	End of the period				Note
					Number of shares	Carrying amount	Percentage of ownership	Fair value	
HOTATECH	Stock	ALPHABET INC.(GOOG)	-	Financial assets mandatorily measured at fair value through profit or loss - current	3,600	357	-	357	
HOTATECH	Stock	Lucid Group Inc.(LCID)	-	Financial assets mandatorily measured at fair value through profit or loss - current	2,000	8,805	-	8,805	
HOTATECH	Stock	Rivian Automative,Inc./DE(RIVN)	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,000	2,180	-	2,180	
Hota Industrial Manufacturing Company	Stock	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - current	335,000	17,286	-	17,286	
Hota Industrial Manufacturing Company	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	1,814,679	32,755	-	32,755	
Howin Precision Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Director of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	428,669	7,737	-	7,737	
Hozuan Investment Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	2,743,854	49,527	-	49,527	
Hozuan Investment Company Limited	Stock	Cheng Mei Materials Technology Corporation.(4960)	-	Financial assets at fair value through other comprehensive income - current	500,000	6,650	-	6,650	

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 3 (cont.)：Holding of marketable securities at the end of the period（excluding investments in subsidiaries, associates, and joint ventures

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Holding company	Type of the security	Name of the security	Relationship with the issuer	Account	End of the period				Note
					Number of shares	Carrying amount	Percentage of ownership	Fair value	
Hota Industrial Manufacturing Company	Stock	BMB Venture Capital Investment Corporation	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - non-current	2,434,790	17,574	9.08	17,574	
Hota Industrial Manufacturing Company	Stock	KWONG LUNG ENTERPRISE CO.,LTD.	-	Financial assets at fair value through other comprehensive income - non-current	689,189	10,162	4.05	10,162	
Hota Industrial Manufacturing Company	Stock	MAIN DRIVE CORPORATION	The Company is the director of the company.	Financial assets at fair value through other comprehensive income - non-current	9,556,000	95,345	10.73	95,345	
Hota Industrial Manufacturing Company	Stock	Research Innovation Capital Corporation	The Company is the director of the company.	Financial assets at fair value through other comprehensive income - non-current	6,000,000	30,000	13.73	30,000	
Hota Industrial Manufacturing Company	Ball card	Taichung International Entertainment Corporation	-	Financial assets at fair value through other comprehensive income - non-current	3	14,800	0.09	14,800	
Howin Precision Company Limited	Stock	Hoga Industry Co., Ltd.	The subsidiary of the Company is the director of the company.	Financial assets at fair value through other comprehensive income - current	577	7,662	7.84	7,662	

Note 1: The securities mentioned in this table refer to the stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of the International Financial Reporting Standard No. 9 “Financial Instruments.”

Note 2: If the securities issuer is not a related party, this column is not required.

Note 3：If measured at fair value, please fill in the carrying amount of column B after fair value evaluation adjustments and deduct accumulated impairment; if it is not measured at fair value, please fill in the original acquisition cost or amortized cost after deduction of accumulated impairment in the book value column B the book balance.。

Note 4：The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed upon agreement. The Note column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the circumstances of restricted use.

Table 4：Information on investees

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Name of the investor company	Name of the investee company	Location	Main business	Original investment amount		Holding at end of the period			Profit or loss of investees in the current period	Gains or losses on investments recognized in the current period	Note
				End of the period	End of prior period	Number of shares	Percentage of ownership	Carrying amount			
Hota Industrial Manufacturing Company	Hozuan Investment Company Limited	Taiwan	Investment activities	$167,190	$167,190	27,396,000	100.00	$314,085	$21,224	$21,224	Subsidiary of the Company
Hota Industrial Manufacturing Company	.Captain Holding Co., Ltd.	Seychelles	Holding company	390,733	326,073	18,600,000	100.00	237,143	(17,875)	(17,875)	Subsidiary of the Company
Hota Industrial Manufacturing Company	HOTATECH, INC.	USA	Sales of various precision gears and shafts of automobiles	173,638	173,638	530,200	100.00	483,670	197,885	197,885	Subsidiary of the Company
Hota Industrial Manufacturing Company	Hota USA Inc.	USA	Holding company	25,222	3,225	1,000,000	100.00	24,172	95	95	Subsidiary of the Company
Hota Industrial Manufacturing Company	Howin Precision Company Limited	Taiwan	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	41,450	41,450	7,305,147	61.05	79,986	(5,904)	(3,604)	Subsidiary of the Company
Hota Industrial Manufacturing Company	Juda Intelligent Technology	Taiwan	Manufacturing and sales of various precision gears for automobiles and motorbikes	159,741	159,741	15,974,146	100.00	140,343	(18,128)	(21,369)	Subsidiary of the Company
Hota Industrial Manufacturing Company	Hefu Construction Co., Ltd	Taiwan	Construction and investment development of residences, apartments and mixed residential office buildings	68,000	68,000	6,800,000	50.00	69,815	6,395	3,197	Subsidiary of the Company
Hota Industrial Manufacturing Company	Helun Precision Co., Ltd.	Taiwan	Manufacturing and selling various of precision gears for automobiles and motorbikes	5,000	5,000	500,000	100.00	5,053	34	34	Subsidiary of the Company
Hota Industrial Manufacturing Company	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	11,400	11,400	838,878	0.78	15,201	113,537	882	Investee accounted for using equity method (Note 3)
Hota Industrial Manufacturing Company	TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Taiwan	Removal, storage and treatment of general and hazardous industrial waste	12,500	12,500	375,000	25.00	-	-	-	Investee accounted for using equity method (Note 1)
Hota Industrial Manufacturing Company	TAKAWA SEIKI, INC.	USA	Machinery traders and agents	3,607	3,607	120,000	40.00	3,155	(212)	(85)	Investee accounted for using equity method

Table 4 (cont.)：Information on investees

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Name of the investor company	Name of the investee company	Location	Main business	Original investment amount		Holding at end of the period			Profit or loss of investees in the current period	Gains or losses on investments recognized in the current period	Note
				End of the period	End of prior period	Number of shares	Percentage of ownership	Carrying amount			
Hota Industrial Manufacturing Company	LING WEI CO., LTD.	Taiwan	Hardware wholesale industry	$36,338	$36,338	3,633,750	45.00	$44,450	$5,199	$1,904	Investee accounted for using equity method
Hozuan Investment Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	187,141	187,141	16,501,826	15.28	257,828	113,537	17,346	Investee accounted for using equity method (Note 2, 3)
Howin Precision Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	-	677	-	-	-	113,537	36	Investee accounted for using equity method (Note 2, 3)
Hota USA Inc.	Hota Industries, LLC	USA	Investments in plants and equipment	USD735 thousand	USD35 thousand	-	100.00	24,091	(3)	(3)	Subsidiary of the Company (Note 2)
Hota USA Inc.	Hota Manufacturing, Inc.	USA	Manufacturing and selling various of precision gears for automobiles and motorbikes	USD1 thousand	-	100,000	100.00	33	-	-	Subsidiary of the Company (Note 2)

Note 1：The carrying amount of the long-term investment is the balance after the impairment loss of NT$3,736 thousand has been recognized.
Note 2：Gains or losses on investments are recognized through subsidiaries.
Note 3：KAO FONG MACHINERY CO., LTD. is jointly held by Hota Industrial Manufacturing Company, Howin Precision Company Limited, and Hozuan Investment Company Limited.
The total percentage of ownership as of end of the period is 16.06%, and the gains on investments recognized by the Company amounted to NT$18,264 thousand.
Note 4：Gains on investments in investees include the gains or losses on investments resulting from upstream transactions.

Table 5：Information on investees in Mainland China

Expressed in thousands of New Taiwan Dollars
(Except as indicated)

Names of investee in Mainland China	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward remittance for investment from Taiwan, beginning of the period	Remittance of funds in the current period		Accumulated outward remittance for investment from Taiwan, end of the period	Profit or loss of investees in the current period	Direct and indirect percentage of ownership	Gains or losses on investments recognized in the current period	Ending carrying amount of the investment	Accumulated repatriation of gain on investment as of end of the period	Note
					Outward	Inward							
Howon (Whaian) Automobile Components Company Limited	Manufacturing and selling of automobile gearboxes and gears	$569,812 (USD18,600 thousand)	2	$505,152 (USD16,600 thousand)	$64,660 (USD2,000 thousand)	-	$569,812 (USD18,600 thousand)	$(19,749)	100%	$(19,749)	$241,841	$-	Note 2, 3

Company name	Accumulated outward remittance for investment in Mainland China as of end of the period	Investment amount authorized by investment commission, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA
Hota Industrial Manufacturing Company	$569,812	$569,812	$5,296,453

Note 1：There are two methods of investment. Please indicate the number of methods：
(1) Directly invest in Mailand China
(2) Indirectly invest in Mainland China through a company set up in the third region.
(3) Other ways
The Company invested in investees in Mainland China through the subsidiary, Captain Holding Co., Ltd.

Note 2：The aforementioned gains or losses on investments are based on the financial statements audited by the CPA of the parent company in Taiwan.

Note 3：According to the limit stipulated in the letter No.006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

Please refer to Note 13.1 and 2 for the information on the significant transactions between the Company and the investees in Mainland China and the prices, payments.