

These financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

Stock Code : 1536

Hota Industrial Manufacturing Company and Subsidiaries

Consolidated Financial Statements for the years ended
December 31, 2025 and 2024 with Independent Auditors'
Report

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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, 2025 and 2024, 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, based on our audit results and other auditors' report (Please refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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. According to our audit result and other auditors' report, 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, 2025. 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.

Cut-off of revenue from exporting sales

The operating revenue of Hota Industrial Manufacturing Company and subsidiaries for the year ended December 31, 2025 amounted to NT\$4,762,746 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, 2025 amounted to NT\$2,564,599 thousand, accounting for 12% 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.

Other Matter – Making Reference to the Audit(s) of Other Auditors

Part of the financial statements of the investees included in the consolidated financial statements were not audited by us, but by other auditors. Therefore, in the opinion we provided for the consolidated financial statements, the amounts associated with those investees were based on other auditors' audit report. As of December 31, 2025, investments accounted for using equity method of those investees amounted to NT\$244,770 thousand, accounting for 1.13% of total assets. For the year ended December 31, 2025, relevant share of profit or loss of associates and joint ventures amounted to NT\$(17,815) thousand, accounting for 2.36% of consolidated loss before tax, and share of other comprehensive income of associates and joint ventures accounted for using equity method amounted to NT\$(13,193) thousand, accounting for 16.20% of total consolidated other comprehensive income.

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, 2025 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, 2025 and 2024 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 -
1120349153

No. Financial-Supervisory-Securities-Auditing -
1030025503

Huang, Jing-Ya

CPA :

Huang, Zi-Ping

March 12, 2026

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated balance sheets

December 31, 2025 and 2024

Expressed in thousands of New Taiwan Dollars

Code	Assets		December 31, 2025		December 31, 2024	
	Accounting items	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6.1	\$724,847	3	\$773,323	3
1110	Financial assets at fair value through profit or loss – current	4 and 6.2	3,217	-	11,342	-
1120	Financial assets at fair value through other comprehensive income –	4 and 6.3	99,231	-	113,955	1
1136	Financial assets at amortized cost – current	4 and 6.4	48,994	-	263,370	1
1150	Notes receivables, net	4	3,079	-	26,423	-
1170	Accounts receivables, net	4 and 6.5	1,806,124	9	2,210,101	10
1200	Other receivables		23,319	-	26,497	-
130x	Inventories	4 and 6.6	2,960,275	14	3,314,320	15
1470	Other current assets		188,076	1	401,153	2
11xx	Total current assets		<u>5,857,162</u>	<u>27</u>	<u>7,140,484</u>	<u>32</u>
	Non-current assets					
1510	Financial assets at fair value through profit or loss – non-current	4, 6.2, and 15	-	-	600	-
1517	Financial assets at fair value through other comprehensive income – non-	4 and 6.3	139,026	1	175,543	1
1535	Financial assets at amortized cost – non-current	4, 6.4 and 8	313,106	1	-	-
1550	Investments accounted for using equity method	4, 6.7 and 8	291,757	1	320,634	1
1600	Property, plant and equipment	4, 6.8 and 8	13,965,359	66	13,831,099	62
1755	Right-of-use assets	4 and 6.25	286,145	1	305,356	1
1760	Investment properties, net	4 and 6.9	359,769	2	193,673	1
1780	Intangible assets	4	15,786	-	5,502	-
1840	Deferred tax assets	4 and 6.27	58,435	-	47,987	-
1900	Other non-current assets	6.10	213,488	1	357,622	2
15xx	Total non-current assets		<u>15,642,871</u>	<u>73</u>	<u>15,238,016</u>	<u>68</u>
1xxx	Total assets		<u>\$21,500,033</u>	<u>100</u>	<u>\$22,378,500</u>	<u>100</u>

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

Chairman : Sheng, Chien-Chih

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated balance sheets (cont.)

December 31, 2025 and 2024

Expressed in thousands of New Taiwan Dollars

Code	Liabilities and equity		December 31, 2025		December 31, 2024	
	Accounting items	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4 and 6.11	\$2,970,200	14	\$2,834,642	13
2110	Short-term notes payables	4 and 6.12	1,100,000	5	900,000	4
2150	Notes payables		404,531	2	453,720	2
2170	Accounts payables	4	365,894	2	289,099	1
2200	Other payables	6.13	315,035	2	296,579	1
2230	Current income tax liabilities		2	-	2,891	-
2280	Lease liabilities – current	4 and 6.23	13,539	-	13,031	-
2322	Long-term borrowings, current portion	4 and 6.16	1,383,659	6	1,544,738	7
2399	Other current liabilities		38,369	-	85,179	1
21xx	Total current liabilities		6,591,229	31	6,419,879	29
	Non-current liabilities					
2500	Financial liabilities at fair value through profit or loss - non-current	4, 6.14 and 6.15	6,150	-	8,250	-
2530	Bond payables	4 and 6.15	1,446,672	7	1,414,657	6
2540	Long-term borrowings	4 and 6.16	5,209,887	24	5,242,253	23
2570	Deferred tax liabilities	4 and 6.27	86,168	-	59,889	-
2580	Lease liabilities – non-current	4 and 6.23	222,452	1	236,056	1
2600	Other non-current liabilities		98,967	-	113,246	1
25xx	Total non-current liabilities		7,070,296	32	7,074,351	31
2xxx	Total liabilities		13,661,525	63	13,494,230	60
	Equity attributable to shareholders of the parent					
31xx	Equity attributable to shareholders of the parent					
3100	Capital stock					
3110	Common stock	6.19				
3200	Capital surplus	6.19	2,789,595	13	2,795,175	12
3300	Retained earnings	6.19	3,896,011	18	3,908,804	17
3310	Legal reserve					
3320	Special reserve		842,781	4	836,334	4
3350	Unappropriated earnings		799	-	112,608	1
	Total retained earnings		237,904	1	1,111,301	5
3400	Other equity		1,081,484	5	2,060,243	10
31xx	Total equity attributable to shareholders of the parent		(88,534)	-	(798)	-
36xx	Non-controlling interests	6.20	7,678,556	36	8,763,424	39
3xxx	Total equity		159,952	1	120,846	1
3x2x	Total liabilities and equity		7,838,508	37	8,884,270	40
			\$21,500,033	100	\$22,378,500	100

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

Chairman : Sheng, Chien-Chih

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, 2025 and 2024 □

Expressed in thousands of New Taiwan Dollars

Code	Accounting items	Note	For the year ended December 31, 2025		For the year ended December 31, 2024	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6.21	\$4,807,719	100	\$5,265,851	100
5000	Operating costs	6.6 and 6.24	(4,674,739)	(97)	(4,646,157)	(88)
5900	Gross profit		132,980	3	619,694	12
6000	Operating expenses					
6100	Sales and marketing expenses	6.24	(371,877)	(8)	(546,258)	(10)
6200	General and administrative expenses	6.24	(165,255)	(4)	(153,978)	(3)
6300	Research and development expenses	6.24	(99,430)	(2)	(95,449)	(2)
6450	Expected credit impairment losses	4 and 6.22	(2,856)	-	(21)	-
	Total operating expenses		(639,418)	(14)	(795,706)	(15)
6900	Net loss from operations		(506,438)	(11)	(176,012)	(3)
7000	Non-operating income and expenses					
7100	Interest income	4 and 6.25	18,252	-	13,176	-
7010	Other income	4 and 6.25	76,345	2	99,187	2
7020	Other gains and losses	6.25	(65,419)	(1)	397,524	8
7050	Finance costs	6.25	(269,314)	(6)	(183,527)	(3)
7060	Share of profit or loss of associates and joint ventures accounted for using equity method	6.7	(15,763)	-	20,083	-
	Total non-operating income and expenses		(255,899)	(5)	346,443	7
7900	Net Income (loss) before tax		(762,337)	(16)	170,431	4
7950	Income tax expense	4 and 6.27	(9,344)	-	(38,470)	(1)
8200	Net income (loss)		(771,681)	(16)	131,961	3
8300	Other comprehensive income					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	4 and 6.26	9,323	-	2,279	-
8316	Unrealized valuation gains or losses on investments in equity instruments at fair value through other	4, 6.3, and 6.26	(49,952)	(1)	29,737	1
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity	4 and 6.26	(13,454)	-	8,095	-
8349	Income tax related to items that will not be reclassified subsequently	4, 6.26, and 6.27	(1,791)	-	(473)	-
8360	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences arising on translation of foreign operations	4 and 6.26	(25,537)	(1)	30,275	1
8367	Unrealized valuation gains or losses on investments in debt instruments at fair value through other	4 and 6.26	-	-	44,986	1
8370	Share of other comprehensive income of associates accounted for using equity method	4, 6.7, and 6.26	(6)	-	51	-
8399	Income tax related to items that will be reclassified subsequently	6.26 and 6.27	-	-	-	-
	Other comprehensive income (net of tax)		(81,417)	(2)	114,950	3
8500	Total comprehensive income		\$(853,098)	(18)	\$246,911	6
8600	Net income (loss) attributable to :					
8610	Shareholders of the parent		\$(763,293)		\$131,063	
8620	Non-controlling interests		(8,388)		898	
			\$(771,681)		\$131,961	
8700	Total comprehensive income attributable to :					
8710	Shareholders of the parent		\$(842,881)		\$244,468	
8720	Non-controlling interests		(10,217)		2,443	
			\$(853,098)		\$246,911	
	Earnings per share(NT\$)	4 and 6.28				
9750	Basic earnings per share		\$(2.74)		\$0.47	
9850	Diluted earnings per share		\$(2.74)		\$0.47	

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

Chairman : Sheng, Chuen-Chih

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, 2025 and 2024

Expressed in thousands of New Taiwan Dollars

Code	Item	Equity attributable to owners of the parent company									Non-controlling interests	Total equity
		Capital stock	Capital surplus	Retained earnings			Other equity		Treasury stocks	Total		
				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				
		3100	3200	3310	3320	3350	3410	3420	3500	31XX	36XX	3XXX
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					131,063				131,063	898	131,961
D3	Other comprehensive income, 2024					1,596	30,347	81,462		113,405	1,545	114,950
D5	Total comprehensive income	-	-	-	-	132,659	30,347	81,462	-	244,468	2,443	246,911
	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	<u>\$2,795,175</u>	<u>\$3,908,804</u>	<u>\$836,334</u>	<u>\$112,608</u>	<u>\$1,111,301</u>	<u>\$15,757</u>	<u>\$(16,555)</u>	<u>\$ -</u>	<u>\$8,763,424</u>	<u>\$120,846</u>	<u>\$8,884,270</u>
A1	Balance at January 1, 2025	\$2,795,175	\$3,908,804	\$836,334	\$112,608	\$1,111,301	\$15,757	\$(16,555)	\$ -	\$8,763,424	\$120,846	\$8,884,270
D1	Net loss, 2025					(763,293)				(763,293)	(8,388)	(771,681)
D3	Other comprehensive income, 2025					8,148	(25,543)	(62,193)		(79,588)	(1,829)	(81,417)
D5	Total comprehensive income	-	-	-	-	(755,145)	(25,543)	(62,193)	-	(842,881)	(10,217)	(853,098)
	Appropriation and distribution of earnings in 2024											
B1	Legal reserve			6,447		(6,447)				-		-
B3	Reversal of special reserve				(111,809)	111,809				-		-
B5	Cash dividends of common stock					(223,614)				(223,614)	(1,633)	(225,247)
L1	Treasury stocks repurchase								(32,447)	(32,447)		(32,447)
L3	Cancellation of treasury stocks	(5,580)	(26,867)						32,447	-		-
	Other changes in capital surplus									-		-
C7	Changes in ownership interests in subsidiaries		14,074							14,074	50,956	65,030
Z1	Balance at December 31, 2025	<u>\$2,789,595</u>	<u>\$3,896,011</u>	<u>\$842,781</u>	<u>\$799</u>	<u>\$237,904</u>	<u>\$(9,786)</u>	<u>\$(78,748)</u>	<u>\$ -</u>	<u>\$7,678,556</u>	<u>\$159,952</u>	

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

Chairman : Sheng, Chien-Chih

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, 2025 and 2024

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2025	For the year ended December 31, 2024
	Cash flows from operating activities :		
A10000	Income before tax	\$(762,337)	\$170,431
A20000	Adjustments for :		
A20010	Items of income and expenses :		
A20100	Depreciation expenses	726,525	711,426
A20200	Amortization expenses	4,729	5,089
A20300	Expected credit impairment losses	2,856	21
A20400	Net gains on financial assets and liabilities at fair value through profit or loss	(2,264)	(1,832)
A20900	Interest expenses	269,314	183,527
A21200	Interest income	(18,252)	(13,176)
A22300	Share of profit or loss of associates and joint ventures accounted for using equity method	15,763	(20,083)
A22500	Losses (gains) on disposals of property, plant and equipment	95	(172,414)
A22700	Gains on disposals of investment properties	-	(46,906)
A23100	Losses (gains) on disposals of investments	(1,735)	2,485
A30000	Net changes in operating assets and liabilities:		
A31130	Notes receivables	23,344	(7,450)
A31150	Accounts receivables	401,121	414,612
A31180	Other receivables	3,178	70,214
A31200	Inventories	354,045	22,814
A31240	Other current assets	215,575	(264,724)
B06700	Other non-current assets	(35,760)	(190,947)
A32130	Notes payables	(49,189)	29,869
A32150	Accounts payables	76,795	(219,031)
A32180	Other payables	(10,529)	(164,749)
A32230	Other current liabilities	(43,131)	(62,395)
C04300	Other non-current liabilities	(8,801)	(14,722)
A33000	Cash generated from operations	1,161,342	432,059
A33100	Interests received	18,252	13,176
A33300	Interests paid	(229,864)	(161,380)
A33500	Income tax paid	(8,910)	(96,567)
AAAA	Net cash flows generated from operating activities	940,820	187,288

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

Chairman: Sheng, Chien-Chih

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, 2025 and 2024

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2025	For the year ended December 31, 2024
	Cash flows from investing activities:		
B00010	Acquisitions of financial assets at fair value through other comprehensive income – non-current	(659)	(35,769)
B00030	Refund of payment for shares from financial assets at fair value through profit or loss	1,948	6,939
B00040	Acquisitions of financial assets at amortized cost	(166,627)	(242,600)
B00050	Disposals of financial assets at amortized cost	32,870	28,318
B00100	Acquisitions of financial assets at fair value through profit or loss	(8,146)	(21,448)
B00200	Disposals of financial assets at fair value through profit or loss	18,322	23,143
B01800	Acquisition of investments accounted for using equity method	(2,485)	-
B01900	Disposals of investments accounted for using equity method	-	959
B02700	Acquisitions of property, plant and equipment	(625,831)	(377,157)
B02800	Disposals of property, plant and equipment	499	266,852
B03700	Decrease in guaranteed deposits paid	37,904	45,054
B04500	Acquisitions of intangible assets	(15,013)	(2,345)
B05400	Acquisitions of investment properties	(166,096)	(193,673)
B05500	Disposals of investment properties	-	77,293
B07100	Increase in prepayments for equipment	(17,555)	(149,017)
B07600	Dividends received	16,306	14,717
BBBB	Net cash flows used in investing activities	<u>(894,563)</u>	<u>(558,734)</u>
	Cash flows from financing activities :		
C00100	Increase in short-term borrowings	13,593,022	12,536,452
C00200	Decrease in short-term borrowings	(13,470,130)	(11,876,743)
C00500	Increase in short-term bills payables	9,000,000	4,800,000
C00600	Decrease in short-term bills payables	(8,800,000)	(4,900,000)
C01200	Issue of corporate bonds	-	1,485,452
C01600	Increase in long-term borrowings	8,159,037	3,905,989
C01700	Repayments of long-term borrowings	(8,346,752)	(5,365,673)
C03100	Increase (decrease) in guaranteed deposits received	3,478	120
C04020	Repayments of principal of lease liabilities	(15,316)	(22,578)
C04500	Cash dividends paid	(225,247)	(279,517)
C04900	Cost of treasury stocks repurchase	(32,447)	-
CCCC	Net cash flows generated from (used in) financing activities	<u>(134,355)</u>	<u>283,502</u>
DDDD	Effects of changes in exchange rate on cash	<u>39,622</u>	<u>76,331</u>
EEEE	Net decrease in cash and cash equivalents	<u>(48,476)</u>	<u>(11,613)</u>
E00100	Cash and cash equivalents at the beginning of period	<u>773,323</u>	<u>784,936</u>
E00200	Cash and cash equivalents at the end of period	<u>\$724,847</u>	<u>\$773,323</u>

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

Chairman: Sheng, Chien-Chih

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, 2025 and 2024
(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, 2025 and 2024 of the Company and subsidiaries (“the Group”) were authorized for issue by the Board of Directors on March 12, 2026.

(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, 2025, 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	IFRS 17 “Insurance Contracts”	January 1, 2023
2	“Classification and Measurement of Financial Instruments” (Amendments to IFRS 9 and IFRS 7)	January 1, 2026
3	Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
4	“Contracts Referencing Nature-dependent Electricity” (Amendments to IFRS 9 and IFRS 7)	January 1, 2026

1) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts,

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfillment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

After the issuance of the Standard in May 2017, its amendments were issued in 2020 and 2021. In addition to extending the effective date by 2 years (that is, from the original January 1, 2021 to January 1, 2023) and providing additional exemptions in the transitional provisions, the amendments also simplified some provisions to reduce the cost of adopting the Standard and amended some of the provisions to make some of the circumstances easier to interpret. IFRS 17 replaces an interim Standard (IFRS 4 “Insurance Contracts”)

2) “ 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.

3) Annual Improvements to IFRS Accounting Standards—Volume 11

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

- a) Amendments to IFRS 1
Amend the explanations on hedge accounting of first-time adoption of the standard, to improve their consistency with the requirements in IFRS 9
 - b) Amendments to IFRS 7
Amend to update an obsolete cross-reference associated with gain or loss on derecognition.
 - c) Amendments to Guidance on implementing IFRS 7
Amend to improve part of the wording in the Guidance on implementing, including introduction, disclosure of deferred difference between fair value and transaction price, and credit risk disclosures.
 - d) Amendments to IFRS 9
Amend to add cross-reference to clarify how a lessee accounts for the derecognition of a lease liability, and the transaction price.
 - e) Amendments to IFRS 10
Amend to remove from paragraph B74 of the standard an inconsistency with paragraph B73.
 - f) Amendments to IAS 7
Amend to delete the cost method referred in paragraph 37 of the standard.
- 4) “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 newly issued and amended standards are effective for annual period beginning on January 1, 2026. 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:

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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	IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note)
3	Disclosure Initiative – “Subsidiaries without Public Accountability” (IFRS 19)	January 1, 2027
4	Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21 and IAS 29)	January 1, 2027

(Note) The FSC issued a press release on September 25, 2025 to declare that Taiwan will align with IFRS 18 since the fiscal year of 2028.

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) IFRS 18 “Presentation and Disclosure in Financial Statements”

The standard will replace IAS 1 “Presentation of Financial Statements.”

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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.

3) Disclosure Initiative – “Subsidiaries without Public Accountability” (IFRS 19)

The new standard and amendments permit 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.

4) Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21 and IAS 29)

The amendments include:

a) Clarify that when the results and financial position of an entity whose functional currency is the currency of a non-hyperinflationary economy are translated into a hyperinflationary presentation currency, all amounts are translated at the closing rate at the date of the most recent statement of financial position.

b) Under the aforementioned condition, when the entity's presentation currency ceases to be hyperinflationary, the reporting entity shall not restate the amounts in prior financial statements.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

- c) An entity whose functional currency and presentation currency are both the currency of a hyperinflationary economy, the reporting entity shall do accounting treatments in accordance with paragraph 34 of IAS 29.

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 2), 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, 2025 and 2024 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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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 take 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 :

Name of investor company	Name of subsidiary (sub-subsidiary)	Main business	Percentage of ownership	
			December 31, 2025	December 31, 2024
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	61.05%	61.05%

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(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, 2025	December 31, 2024
The Company	HOTATECH, INC.	rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	100%	100%
The Company	Hota USA Inc.	Sales of various precision gears for automobiles and investment business	100%	100%
The Company	Captain Holding Co., Ltd.	Holding company	100%	100%
The Company	Juda Intelligent Technology (“Juda”)	Holding company	100%	100%
The Company	Hefu Construction Co., Ltd. (“Hefu”)	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%
The Company	Core Technology Co., Ltd. (“Core Technology”) (Note 1)	CoWoS advanced packaging inspection equipment, mechatronics, and automation technology	43.96%	-
Hota USA Inc.	Hota Industries, LLC	Investing plants and equipment	100%	100%
Hota USA Inc.	Hota Manufacturing, Inc. (Note 1)	Manufacturing and sales various of precision gears for automobiles	100%	100%
Captain Holding Co., Ltd.	Howon (Whaian) Automobile Components Company Limited	Manufacturing and sales of automobile gearboxes and gears	100%	100%

Note 1: Core Technology Co., Ltd. was established in March 2025, and the Company acquired 4,000,000 shares by NT\$40,000 thousand. Although the percentage of ownership of the Company does not reach 50%, as the Company is the largest shareholder, and acquired a board seat, and the chairman of the company is the chairman of the Company, it is presumed that the Company substantively controls the company. Therefore, since the date the Company acquired control, the company was included in the consolidated financial statements in accordance with regulations.

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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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,

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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.

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Notes to the consolidated financial statements (cont.)

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

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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

- 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.

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Notes to the consolidated financial statements (cont.)

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

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 joint 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.

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Notes to the consolidated financial statements (cont.)

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

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

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Notes to the consolidated financial statements (cont.)

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

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 an 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

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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 :

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Notes to the consolidated financial statements (cont.)

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

- 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 is 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.

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Notes to the consolidated financial statements (cont.)

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

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.

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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.

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

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.

Provisions for decommissioning, restoration and rehabilitation costs

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. Treasury stocks

Shares of the parent company acquired by the Group are recognized at acquisition cost as deductions to equity. Differences in price of treasury share transactions are recognized under equity.

19. 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.

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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.

20. 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.

21. 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.

22. 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

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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.

23. 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.

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

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.

Income tax expenses for the interim period are accrued and disclosed by the tax rate applied to the expected total earnings for the current period, that is to apply the estimated average annual effective income tax rate expected for the full financial year to the pretax income of the interim period. Estimate to the average annual effective tax rate only includes current income tax expenses. Deferred income tax is recognized and measured in accordance with IAS 12 “Income Taxes,” which is as that of the annual financial statements. When there are changes in tax rate in the interim period, the effects on deferred income tax resulting from the tax rate change are recognized in profit or loss, other comprehensive income or directly in equity.

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(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.

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(6) Explanation of significant accounts

1. Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand	\$605	\$709
Bank deposits	701,742	772,614
Time deposits (Note)	22,500	-
Total	\$724,847	\$773,323

Note: The contract period is due within 3 months, and the time deposits are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

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, 2025	December 31, 2024
Current items:		
Mandatorily measured at fair value through profit or loss:		
Stocks of listed companies	\$5,024	\$14,031
Valuation adjustment	(1,807)	(2,689)
Total	\$3,217	\$11,342
Non-current items:		
Mandatorily measured at fair value through profit or loss:		
Derivative financial instruments – corporate bonds	\$-	\$600

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

Hota Industrial Manufacturing Company and Subsidiaries
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3. Financial assets at fair value through other comprehensive income

	December 31, 2025	December 31, 2024
Current items:		
Stocks of listed companies	\$48,987	\$229,062
Valuation adjustment	7	34,308
Total	<u>\$48,994</u>	<u>\$263,370</u>
	December 31, 2025	December 31, 2024
Non-current items:		
Restricted bank deposits	\$194,155	\$196,103
Valuation adjustment	(55,129)	(20,560)
Total	<u>\$139,026</u>	<u>\$175,543</u>

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, 2025	December 31, 2024
Financial asset at fair value through other comprehensive income	<u>\$238,257</u>	<u>\$289,498</u>

BMB Venture Capital Investment Corporation held by the Group refunded the payment for shares of NT\$1,948 thousand and NT\$6,939 thousand for the year ended December 31, 2025 and 2024.

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

	2025	2024
Changes in fair value recognized in other comprehensive income	<u>\$(49,952)</u>	<u>\$29,737</u>

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, 2025 and 2024 are NT\$238,257 and NT\$289,498, respectively.

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.

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Notes to the consolidated financial statements (cont.)
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4. Financial assets at amortized cost

	December 31, 2025	December 31, 2024
Current items:		
Time deposits (over 3 months)	\$48,987	\$229,062
Restricted bank deposits	7	34,308
	\$48,994	\$263,370
Non-current items:		
Restricted bank deposits	\$313,106	\$-

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, 2025 and 2024 are NT\$362,100 thousand and NT\$263,370 thousand, respectively.

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

5. Accounts receivables

	December 31, 2025	December 31, 2024
Accounts receivables	\$1,877,217	\$2,298,221
Less : loss allowance	(71,093)	(88,120)
Total	\$1,806,124	\$2,210,101

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

The amount measured in fair value through other comprehensive income were NT\$0 thousand and NT\$44,986 thousand, and the other comprehensive income reclassified to profit or loss amounted to NT\$0 thousand and NT\$10,095 thousand, as of December 31, 2025 and 2024, respectively.

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

6. Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$385,137	\$453,885
Work in process	1,331,274	1,489,149
Finished goods	1,186,113	1,371,286
Construction in process	57,751	-
Total	\$2,960,275	\$3,314,320

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

The inventory costs recognized as costs of goods sold amounted to NT\$4,674,739 thousand and NT\$4,646,157 thousand, including inventory valuation losses of NT\$70,841 thousand and NT\$0 thousand for the years ended December 31, 2025 and 2024, 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, 2025	December 31, 2024
Investments in associates:		
KAO FONG MACHINERY CO., LTD.	\$244,770	\$273,029
LING WEI CO., LTD.	43,607	44,450
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	3,380	3,155
Subtotal	295,493	324,370
Less: accumulated impairment	(3,736)	(3,736)
Total	\$291,757	\$320,634
	2025	2024
Profit (loss) from continuing operations	\$(15,763)	\$20,083
Other comprehensive income (net of tax)	(13,460)	8,146
Total comprehensive income	\$(29,223)	\$28,229

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, 2025 and 2024, the fair value amounted to NT\$683,887 thousand and NT\$847,093 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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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

	<u>2025</u>	<u>2024</u>
KAO FONG MACHINERY CO., LTD.	\$(17,815)	\$18,264
LING WEI CO., LTD.	1,700	1,904
TAKAWA SEIKI, INC.	352	(85)
Total	<u>\$(15,763)</u>	<u>\$20,083</u>

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

8. Property, plant and equipment

	<u>December 31,</u>		<u>December 31,</u>			
	<u>2025</u>		<u>2024</u>			
Property, plant and equipment for self-use	<u>\$13,965,359</u>		<u>\$13,831,099</u>			
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment pending acceptance</u>	<u>Total</u>
Cost:						
January 1, 2025	\$2,093,222	\$5,227,377	\$9,832,134	\$1,119,749	\$1,164,756	\$19,437,238
Additions	60,443	273,416	156,358	90,589	45,025	625,831
Disposals	-	-	(36,837)	(118,751)	-	(155,588)
Transfers	12,472	141,571	(30,689)	225,325	(192,791)	155,888
Effects of changes in foreign exchange rates	(3,072)	2,365	(8,304)	7,896	-	(1,115)
December 31, 2025	<u>\$2,163,065</u>	<u>\$5,644,729</u>	<u>\$9,912,662</u>	<u>\$1,324,808</u>	<u>\$1,016,990</u>	<u>\$20,062,254</u>
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	<u>\$2,093,222</u>	<u>\$5,227,377</u>	<u>\$9,832,134</u>	<u>\$1,119,749</u>	<u>\$1,164,756</u>	<u>\$19,437,238</u>
Depreciation and impairment:						
January 1, 2025	\$-	\$1,229,167	\$3,805,421	\$571,551	\$-	\$5,606,139
Depreciation	-	136,084	407,588	164,732	-	708,404
Disposals	-	-	(36,466)	(118,528)	-	(154,994)
Transfers	-	96	(61,496)	-	-	(61,400)

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	Land	Buildings and structures	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Effects of changes in foreign exchange rates	-	(107)	(1,223)	76	-	(1,254)
December 31, 2025	\$-	\$1,365,240	\$4,113,824	\$617,831	\$-	\$ 6,096,895
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
Net carrying amount December 31, 2025	\$2,163,065	\$4,279,489	\$5,798,838	\$706,977	\$1,016,990	\$13,965,359
December 31, 2024	\$2,093,222	\$3,998,210	\$6,026,713	\$548,198	\$1,164,756	\$13,831,099

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:

	2025	2024
Capitalized amount	\$34,908	\$38,674
Capitalized interest rate interval	2.19%	2.04%

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, 2025	\$193,673
Additions	166,096
December 31, 2025	\$359,769
Cost:	
January 1, 2024	\$30,387

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
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	Land
Additions	193,673
Disposals	(30,387)
December 31, 2024	\$193,673
Net carrying amount:	
December 31, 2025	\$359,769
December 31, 2024	\$193,673

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\$234,388 thousand and NT\$198,232 thousand as of December 31, 2025 and 2024, 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.

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

10. Other non-current assets

	December 31, 2025	December 31, 2024
Prepayments for equipment	\$85,900	\$252,614
Guaranteed deposits paid	36,127	28,977
Other non-current assets	91,461	76,031
Total	\$213,488	\$357,622

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

11. Short-term borrowings

	December 31, 2025	December 31, 2024
Unsecured bank loans	\$ 2,508,200	\$2,390,142
Secured bank loans	462,000	444,500
Total	\$2,970,200	\$2,834,642

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

As of December 31, 2025 and 2024, the unused credit lines for short-term borrowings amounted to NT\$130,000 thousand and NT\$331,500 thousand, respectively.

Interest rate interval	2025	2024
Unsecured bank loans	1.875%~6.139%	1.87%~6.88%
Secured bank loans	1.875%~2.70%	1.875%~2.55%

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

12. Short-term bills payables

	December 31, 2025	December 31, 2024
China Bills	\$640,000	\$500,000
Mega Bills	460,000	400,000
Total	<u>\$1,100,000</u>	<u>\$900,000</u>
	2025	2024
Interest rate interval	2.058%~2.338%	1.68%~1.988%

13. Other payables

	December 31, 2025	December 31, 2024
Payroll payables	\$59,835	\$72,287
Employees' bonus and directors' remuneration payables	1,599	7,708
Payables for equipment	23,300	36,825
Freight payables	83,326	52,994
Others	146,975	126,765
Total	<u>\$315,035</u>	<u>\$296,579</u>

14. Financial liabilities at fair value through profit or loss

	December 31, 2025	December 31, 2024
Non-current items:		
Held for trading:		
Derivative financial instruments – corporate bonds	<u>\$6,150</u>	<u>\$8,250</u>

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

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15. Bond payables

	December 31, 2025	December 31, 2024
Equity components		
Par value of domestic convertible bond payables	\$1,500,000	\$1,500,000
Discounts on domestic convertible bond payables	(53,328)	(85,343)
Subtotal	1,446,672	1,414,657
Less: current portion	-	-
Net amount	\$1,446,672	\$1,414,657
Embedded derivative financial instruments	\$6,150	\$7,650
Equity components	\$75,000	\$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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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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.
- 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.

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As of December 31, 2025, 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, 2025 and 2024, financial assets at fair value through profit or loss of the convertible bonds amounted to NT\$1,500 thousand and NT\$600 thousand, respectively.

16. Long-term borrowings

As of December 31, 2025 and 2024, the details of long-term borrowings are as follows:

Type of borrowing	December 31, 2025	Interest rate	Repayment period and method
Syndicated secured loan – Land Bank of Taiwan	\$1,350,000	2.377%~2.451 %	The loan shall be repaid from December 24, 2028 in every six months, until December 24, 2030.
Secured bank loans	3,842,957	0.725%~6.18%	Successively due by March 2039 (repay in installments)
Unsecured bank loans	1,420,230	0.725%~2.45%	Successively due by June 2033 (repay in installments)
Subtotal	<u>6,613,187</u>		
Less: current portion	(1,383,659)		
Less: discounts from government grant	(19,641)		
Net amount	<u>\$5,209,887</u>		

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Notes to the consolidated financial statements (cont.)

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

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)		
Less: discounts from government grant	(25,790)		
Net amount	\$5,242,253		

- 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, 2025, the actual usage amount is NT\$2,150,000 thousand, and the amount not used is NT\$2,850,000 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 bills payables guaranteed by the loan]: it shall be maintained at least 100% (included)
- B. Financial liability ratio [short-term borrowings short-term bills 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, 2025, the Company did not violate the aforementioned terms of regulations.

- 2) On July 18 and December 13, 2019, the Company signed a loan contract

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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.

17. 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, 2025, the total amount is NT\$3,128,783 thousand, for the purposes of operating turnover, procurement of machinery equipment and establishment of plants. The loans shall be repaid from November 2029 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\$3,090,422 thousand. The difference between the amount acquired and the fair value of the loan amounted to NT\$38,361 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.

18. Pension

Defined contribution plan

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.

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The pension expenses of defined contribution plan amounted to NT\$25,001 thousand and NT\$33,832 thousand for the years ended December 31, 2025 and 2024, 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, 2025, 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, 2025, the defined benefit plan is expected to be due after 9.8 years.

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

	2025	2024
Current service cost	\$3,050	\$1,388
Net interest of net defined benefit liabilities	662	511
Total	<u>\$3,712</u>	<u>\$1,899</u>

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

	December 31, 2025	December 31, 2024
Present value of defined benefit obligations	\$156,801	\$160,049
Fair value of plan assets	(121,586)	(117,837)
Other non-current liabilities – the carrying amount of net defined benefit liabilities (assets)	<u>\$35,215</u>	<u>\$42,212</u>

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, 2024	\$158,858	\$(115,378)	\$43,480
Current service cost	1,388	-	1,388
Interest expenses (revenue)	1,902	(1,391)	511
Subtotal	<u>162,148</u>	<u>(116,769)</u>	<u>45,379</u>
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	<u>9,535</u>	<u>(10,924)</u>	<u>(1,389)</u>
Benefits paid	(11,634)	11,634	-
Funding by employers	-	(1,778)	(1,778)
December 31, 2024	<u>160,049</u>	<u>(117,837)</u>	<u>42,212</u>
Current service cost	3,050	-	3,050
Interest expenses (revenue)	2,561	(1,899)	662
Subtotal	<u>165,660</u>	<u>(119,736)</u>	<u>45,924</u>
Remeasurement of defined benefit liabilities/ assets :			
Actuarial gains and losses on changes in demographic assumptions	-	-	-
Actuarial gains and losses on changes in financial assumptions	3,020	-	3,020
Experience adjustment	(3,704)	-	(3,704)
Remeasurement of defined benefit assets	-	(8,271)	(8,271)
Subtotal	<u>(684)</u>	<u>(8,271)</u>	<u>(8,955)</u>
Benefits paid	(8,175)	8,175	-
Funding by employers	-	(1,754)	(1,754)
December 31, 2025	<u>\$156,801</u>	<u>\$(121,586)</u>	<u>\$35,215</u>

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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

	December 31, 2025	December 31, 2024
Discount rate	1.40%	1.60%
Rate of expected future salary increase	2.00%~3.00%	2.00%~3.00%

The sensitivity analysis of each significant actuarial assumption:

	2025		2024	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$3,754	\$-	\$3,178
Discount rate decrease by 0.25%	3,973	-	3,351	-
Expected future salary increase by 0.25%	3,633	-	3,040	-
Expected future salary decrease by 0.25%	-	3,456	-	2,897

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.

19. Equity

1) Common stocks

As of January 1, 2024, 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.

The Company has resolved by the board of directors on August 7, 2025 to cancel 558 thousand shares of treasury stocks. The base date of the capital reduction is August 8, 2025, and the registration for changes has been completed on September 12, 2025. As of December 31, 2025, the authorized capital is NT\$2,789,595 thousand, and the paid-in capital is NT\$2,789,595 thousand, each share at par value of NT\$10, divided into 278,960 thousand shares.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

2) Capital surplus

	December 31, 2025	December 31, 2024
Additional paid-in capital	\$3,777,666	\$3,804,533
Changes in interests in ownership of subsidiaries recognized	19,741	5,667
Gains on disposals of assets	309	309
Employee stock options	23,295	23,295
Stock options	75,000	75,000
Total	<u>\$3,896,011</u>	<u>\$3,908,804</u>

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) Treasury stocks

In order to maintain the Company's credit and shareholders' equity, the Company resolved by the board of directors in April 2025 to repurchase stocks of the Company. As of December 31, 2025, 558 thousand shares have been repurchased. The repurchase prices range from NT\$40.00 to NT\$70.00. The average price of actual repurchase is NT\$58.15 per share. Total amount of the repurchase is NT\$32,447 thousand.

The Company has resolved by the board of directors on August 7, 2025 to cancel 558 thousand shares of treasury stocks, with total amount of NT\$32,447 thousand. The registration for changes has been completed on September 12, 2025. As of December 31, 2025, the Company does not hold treasury stocks.

4) 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 (of which, no lower than 35% shall be non-executive employees' remuneration.), and directors' remuneration 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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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 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 2025, the first half fiscal year of 2025, 2024, and the first half fiscal year of 2024 were resolved by the board of directors as follows:

	2025 (Note)	First half fiscal year of 2025 (Note)	2024 (Note)	First half fiscal year of 2024 (Note)
Date of board of directors' resolution	March 12, 2026	August 7, 2025	March 13, 2025	August 8, 2024
Cash dividend of common stocks	\$-	\$-	\$223,614	\$-
Legal reserve	-	-	19,666	13,218
Provision (reversal) of special reserve	87,735	99,435	(111,809)	-
Dividend per share (NT\$)	-	-	0.8	-

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

Note: The board of directors of the Company are authorized by the Articles of Incorporation to approve the earnings distribution proposals for 2025, the first half fiscal year of 2025, 2024, the first half fiscal year of 2024 by special resolution on March 12, 2026, August 7, 2025, March 13, 2025, and August 8, 2024, respectively.

The Company has resolved the appropriation and distribution of earnings for 2024 and 2023 by the regular shareholders meeting on June 10, 2025 and June 13, 2024 as follows:

	Appropriation and distribution of earnings	
	2024	2023
Cash dividend of common stocks	\$223,614	\$279,517
Legal reserve	19,666	33,849
(Reversal) of special reserve	(111,809)	17,450
Dividend per share (NT\$)	0.8	1.00

Please refer to Note 6.24 for the information on the estimation basis and recognized amounts of employees' and directors' remuneration.

20. Non-controlling interests

	2025	2024
Beginning balance	\$120,846	\$118,403
Net profit (loss) attributable to non-controlling interests	(8,388)	898
Other comprehensive income attributable to non-controlling interests:		
Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	(1,829)	1,545
Not subscribing new shares issued by subsidiaries for capital increase in accordance with percentage of ownership	50,956	-
Others	(1,633)	-
Ending balance	\$159,952	\$120,846

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

21. Operating revenue

	2025	2024
Revenue from contracts with customers		
Revenue from sales of goods	\$4,807,719	\$5,265,851

The relevant information on revenue from contracts with customers for the years ended December 31, 2025 and 2024 is as follows:

1) Classification of revenue

2025

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	\$2,592,044	\$340,155	\$160,447	\$1,352,150	\$362,923	\$4,807,719

2024

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	\$2,754,932	\$331,481	\$522,257	\$1,212,755	\$444,426	\$5,265,851

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

22. Expected credit losses

	2025	2024
Operating expenses — expected credit losses		
Accounts receivables	\$2,856	\$21

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, 2025 and 2024 (the assessment result is the same as that on January 1, 2024), 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, 2025 and 2024 is as follows:

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

December 31, 2025

	Undue (Note)	Days overdue			Total	
		0-120 days	121-240 days	241-361 days		Over 361 days
Total carrying amount	\$1,204,239	\$473,912	\$106,954	\$55,489	\$39,702	\$1,880,296
Loss rate	-%	2.14%	11.30%	16.50%	100%	
Life-time expected credit	-	(10,149)	(12,086)	(9,156)	(39,702)	(\$71,093)
Carrying amount	\$1,204,239	\$463,763	\$94,868	\$46,333	\$0	\$1,809,203

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

December 31, 2024

	Undue (Note)	Days overdue			Total	
		0-120 days	121-240 days	241-361 days		Over 361 days
Total carrying amount	\$1,349,508	\$701,909	\$121,377	\$32,389	\$119,461	\$2,324,644
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	\$1,349,508	\$699,244	\$112,274	\$24,130	\$51,368	\$2,236,524

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, 2025 and 2024 is as follows:

	Notes receivables	Accounts receivables
January 1, 2025	\$-	\$88,120
Amount increased in current period	-	2,856
Amount written off due to uncollectibility	-	(20,055)
Effects of changes in foreign exchange rates	-	172
December 31, 2025	\$-	\$71,093
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

23. 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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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

A. Amounts recognized in the balance sheets

a. Right-of-use assets

Carrying amount of right-of-use assets

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Land	\$263,955	\$271,675
Buildings and structures	18,556	27,535
Transportation equipment	<u>3,634</u>	<u>6,146</u>
Total	<u><u>\$286,145</u></u>	<u><u>\$305,356</u></u>

The additions in right-of-use assets for the years ended December 31, 2025 and 2024 amounted to NT\$0 thousand and NT\$49,720 thousand, respectively.

b. Lease liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current	\$13,539	\$13,031
Non-current	<u>222,452</u>	<u>236,056</u>
Total	<u><u>\$235,991</u></u>	<u><u>\$249,087</u></u>

Please refer to Note 6.25(4), finance costs, for the interest expenses arising from lease liabilities for the years ended December 31, 2025 and 2024. Please refer to Note 12.6, liquidity risk management, for the maturity analysis of lease liabilities as of December 31, 2025 and 2024.

B. Amounts recognized in statements of comprehensive income

Depreciation of right-of-use assets

	<u>2025</u>	<u>2024</u>
Land	\$7,921	\$7,812
Buildings and structures	7,688	10,016
Transportation equipment	<u>2,512</u>	<u>1,391</u>
Total	<u><u>\$18,121</u></u>	<u><u>\$19,219</u></u>

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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

	2025	2024
Expenses of short-term lease	\$8,278	\$7,080

D. Cash outflows related to lease activities as a lessee

The total cash outflows arising from lease for the years ended December 31, 2025 and 2024 amounted to NT\$23,594 thousand and NT\$29,658 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, 2025 and 2024 are as follows:

	2025	2024
Relevant gains from fixed lease payments and variable lease payments depending on an index or a rate	\$29,523	\$20,355

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, 2025	December 31, 2024
Within 1 year	\$605	\$959
Over 1 year but within 2 years	302	353
Over 2 years but within 3 years	155	50
Over 3 years but within 4 years	50	50
Over 4 years but within 5 years	50	50
Over 5 years	300	350
Total	\$1,462	\$1,812

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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

By nature \ By function	2025			2024		
	Recognize d in operating costs	Recognize d in operating expenses	Total	Recognize d in operating costs	Recognize d in operating expenses	Total
Employee benefits						
Payroll expenses	\$518,032	\$134,503	\$652,535	\$563,176	\$146,741	\$709,917
Labor and health insurance	67,863	15,202	83,065	59,724	12,601	72,325
Pension expenses	21,513	7,200	28,713	22,948	10,515	33,463
Other employee benefits expenses	30,254	9,644	39,898	43,804	11,530	55,334
Depreciation expenses	681,161	45,364	726,525	672,217	39,209	711,426
Amortization expenses	3,322	1,407	4,729	3,077	2,012	5,089

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 (of which, no lower than 35% shall be non-executive employees' remuneration.), 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.

The Company accrued remuneration to employees and directors based on profit status, recognized under payroll expenses as follows:

	2025	2024
Employees' remuneration	\$-	\$5,000
Directors' remuneration	-	1,200

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

25. Non-operating income and expenses

1) Interest income

	2025	2024
Interest revenue from bank deposits	\$9,669	\$10,558
Financial assets at amortized cost	6,386	1,956
Other interest income	2,197	662
Total	\$18,252	\$13,176

2) Other income

	2025	2024
Rent income	\$29,523	\$20,355
Revenue from government grants	9,596	13,650
Dividend income	7,763	8,556
Other income—others	29,463	56,626
Total	\$76,345	\$99,187

3) Other gains and losses

	2025	2024
Foreign exchange net gains (losses)	\$(68,761)	\$181,243
Gains (losses) on disposal of property, plant and equipment	(95)	172,414
Gains on disposal of investment properties	-	46,906
Gains (losses) on disposal of investments	1,735	(2,485)
Gains on financial assets and liabilities at fair value through profit or loss	2,264	1,832
Miscellaneous expenses	1,023	(430)
Total	\$(63,834)	\$399,480

4) Finance costs

	2025	2024
Interests arising from bank loans	\$232,211	\$166,155
Interests arising from bond payables	32,015	12,455
Interests arising from lease liabilities	5,088	4,917
Total	\$269,314	\$183,527

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

26. Other comprehensive income

The components of other comprehensive income for the years ended December 31, 2025 are as follows:

	Arising in current period	Reclassifica tion in current period	Other comprehensiv e income	Income tax benefits (expenses)	Amount net of tax
Items not to be reclassified into profit or loss:					
Remeasurements of defined benefit plans	\$9,323	\$-	\$9,323	\$(1,791)	\$7,532
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	(49,952)	-	(49,952)	-	(49,952)
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	(13,454)	-	(13,454)	-	(13,454)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(25,537)	-	(25,537)	-	(25,537)
Share of other comprehensive income of associates accounted for using equity method	(6)	-	(6)	-	(6)
Total	<u><u>\$ (79,626)</u></u>	<u><u>\$-</u></u>	<u><u>\$ (79,626)</u></u>	<u><u>\$ (1,791)</u></u>	<u><u>\$ (81,417)</u></u>

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

	Arising in current period	Reclassifica tion in current period	Other comprehensiv e 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	<u><u>\$115,423</u></u>	<u><u>\$-</u></u>	<u><u>\$115,423</u></u>	<u><u>\$(473)</u></u>	<u><u>\$114,950</u></u>

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

27. Income tax

The major components of income tax expenses for the years ended December 31, 2025 and 2024 are as follows:

Income tax recognized in profit or loss

	2025	2024
Current income tax expenses:		
Current income tax payables	\$1	\$1,019
Underestimation (overestimation) to income tax in prior years	(4,697)	2,315
Deferred income tax expenses:		
Deferred income tax expenses related to origination and reversal of temporary differences	14,040	35,136
Income tax expenses	\$9,344	\$38,470

Income tax recognized in other comprehensive income

	2025	2024
Current income tax expenses:		
Remeasurement of defined benefit plans	\$1,791	\$473

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

	2025	2024
Profit (loss) before tax from continuing operations	\$(762,337)	\$170,431
Tax payables at the enacted tax rates	\$-	\$46,886
Effect of difference tax rates of operating entities in other tax regions	-	32,795
Tax effect of tax-exempt income	9,852	(81,858)
Tax effect of non-deductible expenses	902	313
Tax effect of deferred tax assets/liabilities	14,040	36,867
Adjustments in the current period relating to current income tax in prior years	(4,697)	2,315
Tax effect of other adjustments in accordance with tax laws	(10,753)	1,152
Total income tax expenses recognized in profit or loss	\$9,344	\$38,470

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Notes to the consolidated financial statements (cont.)

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

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

2025

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending balance
Temporary differences				
Inventory valuation and obsolescence losses	\$24,612	\$14,168	\$-	\$38,780
Unrealized exchange losses (gains)	(22,481)	20,974	-	(1,507)
Unrealized transactions among the entities in within the Group	1,668	(338)	-	1,330
Allowance for doubtful debts	3,971	(2,447)	-	1,524
Unrealized employees' bonus	269	20	-	289
Remeasurement of defined benefit obligations	756	-	(1,791)	(1,035)
Book-tax difference in depreciation	(22,091)	(4,000)	-	(26,091)
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	595	(1)	-	594
Put options of corporate bonds	-	1,230	-	1,230
Other deferred tax liabilities	(8,282)	(43,646)	-	(51,928)
Deferred income tax benefit (expenses)		\$(14,040)	\$(1,791)	
Net deferred tax assets/(liabilities)	<u>\$(11,902)</u>			<u>\$(27,733)</u>
Information presented in balance sheets is as follows:				
Deferred tax assets	<u>\$47,987</u>			<u>\$58,435</u>
Deferred tax liabilities	<u>\$59,889</u>			<u>\$86,168</u>

2024

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensiv e income	Ending 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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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)	<u>\$25,438</u>			<u>\$(11,902)</u>
Information presented in balance sheets is as follows:				
Deferred tax assets	<u>\$48,391</u>			<u>\$47,987</u>
Deferred tax liabilities	<u>\$22,953</u>			<u>\$ 59,889</u>
Deferred tax assets	<u>\$48,296</u>			<u>\$48,391</u>
Deferred tax liabilities	<u>\$46,654</u>			<u>\$22,953</u>

Declaration and verification of income tax

As of December 31, 2025, the Group is under the tax jurisdiction of Taiwan. The declaration and verification of the Group's income tax are as follows:

	<u>Declaration and verification of income tax</u>
The Company	Verified until 2023
Howin Precision Company Limited	Verified until 2023
Hozuan Investment Company Limited	Verified until 2023
Juda Intelligent Technology	Verified until 2023
Hefu Construction Co., Ltd	Verified until 2023
Helun Precision Co., Ltd.	Verified until 2023

As of December 31, 2025, the Group's foreign subsidiaries are under the tax jurisdiction of foreign government, and the tax has been declared until 2023.

28. 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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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.

	<u>2025</u>	<u>2024</u>
1) Basic earnings per share		
Net income (loss) for the year attributable to common stocks shareholders (NT\$ thousand)	<u>\$(763,293)</u>	<u>\$131,063</u>
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	<u>279,203</u>	<u>279,518</u>
Basic earnings per share (NT\$)	<u>\$(2.74)</u>	<u>\$0.47</u>
2) Diluted earnings per share		
Net income (loss) for the year attributable to common stocks shareholders after adjusting dilutive effects (NT\$ thousand)	<u>\$(763,293)</u>	<u>\$131,063</u>
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	<u>279,203</u>	<u>279,518</u>
Dilutive effect		
Employees' remuneration—stock (thousands of shares) (Note)	<u>-</u>	<u>105</u>
Weighted average number of common stocks outstanding of basic earnings per share after adjusting dilutive effects (thousands of shares)	<u>279,203</u>	<u>279,623</u>
Diluted earnings per share (NT\$)	<u>\$(2.74)</u>	<u>\$0.47</u>

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

(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

<u>Name of the related party</u>	<u>Relationship with the Company</u>
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 director of the Company

1. Operating revenue

	<u>2025</u>	<u>2024</u>
KAO FONG MACHINERY	\$-	\$1,078
Others	1,123	1,678
Total	<u>\$1,123</u>	<u>\$2,756</u>

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

	<u>2025</u>	<u>2024</u>
KAO FONG MACHINERY	\$61,203	\$63,989
Others	185	224
Total	<u>\$61,388</u>	<u>\$64,213</u>

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

3. Lease—related parties

Rent expenditures

	<u>2025</u>	<u>2024</u>
KAO FONG MACHINERY	<u>\$1,800</u>	<u>\$1,800</u>

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

	<u>2025</u>	<u>2024</u>
KAO FONG MACHINERY	<u>\$600</u>	<u>\$600</u>

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

4. Property transactions

	2025	2024
Acquisition of property, plant and equipment		
KAO FONG MACHINERY	\$1,517	\$3,445

Sales of properties

The Company and the subsidiary, Hefu Construction Co., Ltd, jointly constructed and sold in partitions in the Chiayi Dachi construction project. In 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.

5. Receivables from related parties

	December 31, 2025	December 31, 2024
KAO FONG MACHINERY	\$-	\$459

6. Payables to related parties

	December 31, 2025	December 31, 2024
KAO FONG MACHINERY	\$4,186	\$10,388

7. Key management personnel compensation of the Group

	2025	2024
Short-term employee benefits	\$42,145	\$42,888
Post-employment benefits	1,751	1,597
Total	\$43,896	\$44,485

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

(8) Pledged assets

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

Item	Carrying amount		Purpose of pledge
	December 31, 2025	December 31, 2024	
Property, plant and equipment	\$5,355,815	\$6,969,527	Long-term and short-term borrowings
Investments accounted for using equity method	80,887	90,620	Short-term borrowings
Financial assets at amortized cost	347,219	259,099	Guaranteed deposits for projects, issuing letter of credit
Other non-current assets	33,134	1,515	Guarantee for credit lines, long-term borrowings
Total	<u>\$5,817,055</u>	<u>\$7,320,761</u>	

(9) Significant contingencies and unrecognized contract commitments

- As of December 31, 2025 and 2024, the issued but unused letters of credit for purchasing raw materials and machinery equipment amounted to NT\$4,785 thousand and NT\$105,735 thousand, respectively.
- Significant contract commitments—purchase amount that the performance obligations are not completed

	December 31, 2025	December 31, 2024
Raw materials and property, plant and equipment	<u>\$542,815</u>	<u>\$584,969</u>

- 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, 2025 and 2024 amounted to NT\$1,410 thousand and NT\$1,300 thousand, respectively.

(10) Losses due to major disasters

None.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

(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 competitiveness.

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, 2025 and 2024, are as follows:

	December 31, 2025	December 31, 2024
Total assets	\$21,500,033	\$22,378,500
Total liabilities	13,662,233	13,494,230
Ratio of liabilities to assets	63%	60%

2. Types of financial instruments

<u>Financial assets</u>	December 31, 2025	December 31, 2024
Financial assets at fair value through profit or loss		
Financial assets mandatorily at fair value through profit or loss	\$3,217	\$11,942
Financial assets at fair value through other comprehensive income		
Investments in equity instruments elected to be measured at fair value through other comprehensive income	238,257	289,498
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand)	724,242	772,614
Financial assets at amortized cost	362,100	263,370
Notes receivables	3,079	26,423
Accounts receivables (including related parties)	1,806,124	2,210,101
Other receivables	23,319	26,497
Guaranteed deposits paid	36,127	28,977
Total	<u>\$3,196,465</u>	<u>\$3,629,422</u>

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Notes to the consolidated financial statements (cont.)

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

<u>Financial liabilities</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial liabilities at amortized cost		
Short-term borrowings	\$2,970,200	\$2,834,642
Short-term bills payables	1,100,000	900,000
Notes payables	404,531	453,720
Accounts payables	365,894	289,099
Other payables	315,035	296,579
Bond payables (including current portion)	1,446,672	1,414,657
Long-term borrowings (including current portion)	6,593,546	6,786,991
Lease liabilities	235,991	249,087
Financial liabilities at fair value through profit or loss		
Financial liabilities designated to be measured at fair value through profit or loss	6,150	8,250
Total	<u>\$13,438,019</u>	<u>\$13,233,025</u>

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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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, 2025 and 2024 by NT\$11,912 thousands and NT\$19,861 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, 2025 and 2024 by NT\$3,318 thousands and NT\$2,373 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, 2025 and 2024 by NT\$10,664 thousands and NT\$10,522 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

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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, 2025 and 2024, the Group's five largest customers accounted for 55.44% and 81.60% of accounts receivables, respectively. The 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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Non-derivative financial instruments

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2025					
Short-term borrowings	\$2,980,210	\$-	\$-	\$-	\$2,980,210
Short-term bills payables	1,100,000	-	-	-	1,100,000
Notes payables	404,531	-	-	-	404,531
Accounts payables	365,894	-	-	-	365,894
Other payables	315,035	-	-	-	315,035
Convertible bonds	-	-	1,500,000	-	1,500,000
Lease liabilities	22,395	21,577	52,433	243,482	339,887
Long-term borrowings	1,504,493	1,619,136	2,956,497	1,069,757	7,149,883
December 31, 2024					
Short-term borrowings	\$2,842,850	\$-	\$-	\$-	\$2,842,850
Short-term bills 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

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
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7. Reconciliation of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2025:

	Short-term borrowings	Short-term bills payables	Long-term borrowings	Lease liabilities	Bond payables	Total liabilities from financing activities
January 1, 2024	\$2,834,642	\$900,000	\$6,786,991	\$249,087	\$1,414,657	\$12,185,377
Cash flows	122,892	200,000	(187,715)	(15,316)	-	119,861
Non-cash changes	-	-	6,149	2,220	32,015	40,384
Changes in exchange rate	12,666	-	(11,879)	-	-	787
December 31, 2024	<u>\$2,970,200</u>	<u>\$1,100,000</u>	<u>\$6,593,546</u>	<u>\$235,991</u>	<u>\$1,446,672</u>	<u>\$12,346,409</u>

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

	Short-term borrowings	Short-term bills 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	<u>\$2,834,642</u>	<u>\$900,000</u>	<u>\$6,786,991</u>	<u>\$249,087</u>	<u>\$1,414,657</u>	<u>\$12,185,377</u>

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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

- 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:

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

(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, 2025	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Equity securities	\$3,217	\$-	\$-	\$3,217
Redemption rights of corporate bonds	-	-	-	-
Financial assets at fair value through other comprehensive income				
Equity securities	99,231	-	139,026	238,257
Total	<u>\$102,448</u>	<u>\$-</u>	<u>\$139,026</u>	<u>\$241,474</u>
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Put options of corporate bonds	<u>\$-</u>	<u>\$6,150</u>	<u>\$-</u>	<u>\$6,150</u>

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Notes to the consolidated financial statements (cont.)
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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	<u>\$125,297</u>	<u>\$600</u>	<u>\$175,543</u>	<u>\$301,440</u>
Liabilities measured at fair value:				
Financial liabilities at fair value through profit or loss				
Put options of corporate bonds	<u>\$-</u>	<u>\$8,250</u>	<u>\$-</u>	<u>\$8,250</u>

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, 2025 and 2024, 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.

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Notes to the consolidated financial statements (cont.)
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Changes in level 3 for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Beginning balance	\$175,543	\$140,640
Additions and reductions in the current period	(1,948)	14,470
Gains (losses) recognized in other comprehensive income	(34,569)	20,433
Ending balance	\$139,026	\$175,543

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

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.9)	\$-	\$-	\$234,388	\$234,388
December 31, 2024				
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.9)	\$-	\$-	\$198,232	\$198,232

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Notes to the consolidated financial statements (cont.)
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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:

	December 31, 2025			Expressed in thousands of New Taiwan Dollars December 31, 2024		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$44,861	31.43	\$1,409,981	\$64,278	32.79	\$2,107,676
EUR:NTD	9,054	36.90	334,093	6,955	34.14	237,444
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$6,960	31.43	\$218,753	\$3,699	32.79	\$121,290
EUR:NTD	63	36.90	2,325	4	34.14	137

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 (losses) amounted to NT\$(68,761) thousand and NT\$181,243 thousand for the years ended December 31, 2025 and 2024, 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) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 5) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 6) 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.

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Notes to the consolidated financial statements (cont.)
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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, 2025. The prices are based on general purchase prices, and payments are made in advance.
4. Information on major shareholders :

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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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

2025

	<u>Hota</u>	<u>Others</u>	<u>Write-offs</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$4,411,496	\$396,223	\$-	\$4,807,719
Intra-segment revenue	23,863	100,804	(124,667)	-
Total revenue	<u>\$4,435,359</u>	<u>\$497,027</u>	<u>\$(124,667)</u>	<u>\$4,807,719</u>
Segment profit or loss	<u>\$(792,510)</u>	<u>\$(218,139)</u>	<u>\$ 248,312</u>	<u>\$(762,337)</u>

2024

	<u>Hota</u>	<u>Others</u>	<u>Write-offs</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$4,516,320	\$749,531	\$-	\$5,265,851
Intra-segment revenue	15,672	99,893	(115,565)	-
Total revenue	<u>\$4,531,992</u>	<u>\$849,424</u>	<u>\$(115,565)</u>	<u>\$5,265,851</u>
Segment profit or loss	<u>\$161,101</u>	<u>\$192,157</u>	<u>\$(182,827)</u>	<u>\$170,431</u>

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.

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.

Hota Industrial Manufacturing Company and Subsidiaries

Notes to the consolidated financial statements (cont.)

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

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

	2025	2024
Operating segment revenue	\$4,932,386	\$5,381,416
Elimination of intra-segment gains	(124,667)	(115,565)
Total consolidated operating revenue	\$4,807,719	\$5,265,851

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

	2025	2024
Segment net income (loss) before tax	\$(1,010,649)	\$353,258
Elimination of intra-segment gains (losses)	248,312	(182,827)
Total consolidated net income (loss) before tax	\$(762,337)	\$170,431

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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 DEVELOPING CO., LTD.	Other receivables	N	\$7,200	\$4,800	\$2,400	2.75	2	\$-	Procurement of equipment	\$-	None	\$-	\$1,535,711	\$3,071,422	
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	Other receivables	Y	274,698	274,698	257,726	2.50	2	-	Operating turnover	-	None	-	1,535,711	3,071,422	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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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)	Endorsement s/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	\$1,535,711	\$255,212	\$255,212	\$212,184	\$-	3.32%	\$3,071,422	Y	N	Y	Note 7
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,535,711	88,004	88,004	88,004	-	1.15%	3,071,422	Y	N	Y	Note 8
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,535,711	157,150	157,150	157,150	-	2.04%	3,071,422	Y	N	Y	Note 9
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,535,711	94,290	94,290	94,290	-	1.23%	3,071,422	Y	N	Y	Note 10
0	Hota Industrial Manufacturing Company	Howon (Whaian) Automobile Components Company Limited	2	1,535,711	247,280	247,280	170,848	-	3.21%	3,071,422	Y	N	Y	Note 10

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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

(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 31.43 : 1 as of December 31, 2025.

Note 8 : Ending balance of endorsement provided for Howon Automobile Components is USD2,800 thousand, which is translated by the exchange rate of USD:NTD 31.43 : 1 as of December 31, 2025.

Note 9 : Ending balance of endorsement provided for Howon Automobile Components is USD5,000 thousand, which is translated by the exchange rate of USD:NTD 31.43 : 1 as of December 31, 2025.

Note 10 : 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 31.43 : 1 and CNY:NTD 4.496:1 as of December 31, 2025.

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	Lucid Group Inc.(LCID)	-	Financial assets mandatorily measured at fair value through profit or loss - current	360	\$120	-	\$120	
HOTATECH	Stock	Rivian Automative,Inc./DE(RIVN)	-	Financial assets mandatorily measured at fair value through profit or loss - current	5,000	3,097	-	3,097	
Hota Industrial Manufacturing Company	Stock	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - current	335,000	17,320	0.99	17,320	
Hota Industrial Manufacturing Company	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	1,814,679	27,129	0.65	27,129	
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	6,408	0.15	6,408	
Hozuan Investment 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	2,785,854	41,649	1.00	41,649	
Hozuan Investment Company Limited	Stock	Cheng Mei Materials Technology Corporation.(4960)	-	Financial assets at fair value through other comprehensive income - current	500,000	6,725	0.09	6,725	

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	2,240,007	12,770	9.08	12,770	
Hota Industrial Manufacturing Company	Stock	KWONG LUNG ENTERPRISE CO.,LTD.	-	Financial assets at fair value through other comprehensive income - non-current	689,189	12,224	4.05	12,224	
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	4,778,000	62,255	10.73	62,255	
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	-	15,900	0.09	15,900	
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	5,877	7.84	5,877	

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 by 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.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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	\$290,592	\$(13,658)	\$(13,658)	Subsidiary of the Company
Hota Industrial Manufacturing Company	.Captain Holding Co., Ltd.	Seychelles	Holding company	466,285	390,733	21,000,000	100.00	152,192	(157,697)	(157,697)	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	421,756	(42,089)	(42,089)	Subsidiary of the Company
Hota Industrial Manufacturing Company	Hota USA Inc.	USA	Holding company	25,222	25,222	1,000,000	100.00	24,731	1,546	1,546	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	73,147	(6,511)	(3,975)	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	109,455	(28,485)	(30,888)	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	68,193	24	12	Subsidiary of the Company
Hota Industrial Manufacturing Company	Helun Precision Co., Ltd.	Taiwan	Manufacturing of machinery equipment, manufacturing of electronic components, and wholesale of electronic devices and equipment	5,000	5,000	500,000	100.00	5,088	35	35	Subsidiary of the Company
Hota Industrial Manufacturing Company	Core Technology Co., Ltd.	Taiwan	Manufacturing and sales of various precision gears for automobiles and motorbikes	5,000	5,000	500,000	100.00	5,088	35	35	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	0.77	13,785	(110,884)	(861)	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	3,380	881	352	Investee accounted for using equity method

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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	\$43,607	\$4,670	\$1,700	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.	189,626	187,141	16,562,826	15.20	230,986	(110,884)	(16,954)	Investee accounted for using equity method (Note 2, 3)
Hota USA Inc.	Hota Industries, LLC	USA	Investments in plants and equipment	USD735 thousand	USD735 thousand	-	100.00	23,091	(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	USD1 thousand	100,000	100.00	(16)	(48)	(48)	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, and Hozuan Investment Company Limited.

The total percentage of ownership is 15.97%, and the losses on investments recognized by the Group amounted to NT\$17,815 thousand.

Note 4 : Gains on investments in investees include the gains or losses on investments resulting from upstream transactions.

Hota Industrial Manufacturing Company and Subsidiaries
Notes to the consolidated financial statements (cont.)
(Except as indicated, expressed in thousands of New Taiwan Dollars)

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	\$645,364 (USD21,000 thousand)	2	\$569,812 (USD18,600 thousand)	\$75,552 (USD2,400 thousand)	-	\$645,364 (USD21,000 thousand)	\$(153,927)	100%	\$(153,927)	\$159,522	\$-	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	\$645,364	\$645,364	\$4,607,134

Note 1 : There are two methods of investment. Please indicate the number of methods :

- (1) Directly invest in Mainland 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.