

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

Hota Industrial Manufacturing Company
Limited
Consolidated Financial Statements for the
Years Ended December 31, 2022 and 2021 and
Independent Auditors' Report
(stock code 1536)

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

Tel: (04)2491-2191

Hota Industrial Manufacturing Company Limited

Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021 and Independent Auditors' Report

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Hota Industrial Manufacturing Company Limited
REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Hota Industrial Manufacturing Company Limited as of and for the year ended December 31, 2022, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Hota Industrial Manufacturing Company Limited and Subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Company : Hota Industrial Manufacturing Company Limited

Chairman : SHEN, GUO-RONG

March 16, 2023

Independent Auditor's Report

(112) Ministry of Finance approved No.22004926

The Board of Directors and Shareholders
Hota Industrial Manufacturing Company Limited

Opinion

We have audited the accompanying consolidated states of Hota Industrial Manufacturing Company Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, according to our audit result and audit reports from other accountants (please refer to "Others" section), the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers and the International Reporting Standards (IRFS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those materials that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2022 are stated as follows:

Cut-off date for international export income

Notes

With regard to the accounting policy on income recognition, please refer to Note 4 (29) of the consolidated financial report.

The Group mainly focused on the manufacturing and trading of related products for vehicle transmission parts. The main source of sales income is international export sales. Sales to customers involve different types of trading conditions. However, the Group recognize the sales revenue immediately after shipment. At the end of each period, ownership of the products that has not been transferred to the buyer due to the failure of the agreed trading conditions and the control of the product has not been transferred to the buyer. Because the data collection that does not meet the sales revenue recognition conditions involves a high degree of manual judgment and operation, the accountant has included the cut-off date of the export sales revenue as a significant review item.

Corresponding verification procedures

The accountants respond to above notes and take procedures for the specific aspects and procedures are summarized as follows:

1. Understand and evaluate the operating procedures and internal controls of the Company sales transactions, and test the controls.
2. Perform a cut-off test for sales transactions within a certain period before and after the end of the financial report, and confirm that revenue is recognized in the appropriate period.

Inventory allowance falling price and sluggish loss evaluation

Notes

With regard to inventory accounting policies, please refer to Note 4 (14) of the consolidated financial report. For important accounting estimates and assumptions for inventory evaluation, please refer to Note 5 (2) of the consolidated financial report. Please refer to Note 6 (7) of the consolidated financial report for the description of the inventory allowance loss. The Group's inventory and inventory allowance losses as of December 31, 2022 were NT\$3,575,340 thousand and NT\$120,418 thousand, respectively.

The Group is mainly engaged in the manufacturing and trading of automotive transmission parts related products. Due to the fierce competition in the automotive transmission parts market, there is a high risk of inventory falling-price loss or outdated price loss. The inventories of the Group are measured by cost and net realizable value. For inventories that are older than a certain period of age and those that are respectively identified as obsolete, provision is made for depreciation losses based on the degree of inventory depletion. The net realizable value used to evaluate obsolescence often involves subjective judgments and therefore a high degree of uncertainty in estimation exists. Considering the Group's inventory and its allowance for depreciation losses have a significant impact on the financial statements. The accountant believes that the Group's inventory depreciation loss evaluation is one of the most important items in this year's audit.

Corresponding verification procedures

The accountants respond to above notes and take procedures for the specific aspects and procedures are summarized as follows:

1. Understand and evaluate the inventory allowance for depreciation losses, the operating procedures and internal controls mentioned. And then test the controls.
2. Review the annual inventory-check plan and participate in the annual inventory check to evaluate the management's control of outdated inventory.
3. The policy for the provision of allowances for inventory evaluation losses is consistently adopted and the rationality of the provision policy is evaluated during the period of comparing the financial statements.
4. Obtain the inventory age reports to check the inventory items to test the accuracy of the inventory age calculation logic and information.
5. Regarding the estimated net realizable value of the inventory items, discuss with the management and obtain supporting documents, and then evaluate the rationality of the inventory allowance evaluation loss.

Other matters-adopting other accountant's audit reports

The Group's consolidated financial statements adopt equity method for investee companies whose financial statements have not been checked by this accountant, but by other accountants. Therefore, in the opinions expressed by this accountant on the above consolidated financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The amount of investment using the equity method on December 31, 2022 and December 31, 2021 were NT\$556,090 thousand and NT\$314,127 thousand, respectively, accounting for 2.43% and 1.49% of the total assets, respectively. From January 1 to December 31, 2022 and 2021, the comprehensive income recognized by the equity method were NT\$15,865 thousand in losses and NT\$19,378 thousand in losses, respectively, each accounting for 2.59% and 5.93% of comprehensive income.

Other matters – individual financial reports

Hota Industrial Manufacturing Company Limited has prepared its financial statements for the years ended December 31, 2022 and 2021, and we have issued an unqualified audit report thereon for your information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance (including 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 auditing standards 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 auditing standards, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. 3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

P r i c e w a t e r h o u s e C o o p e r s T a i w a n

Wu, Song-yuan

CPA

Xu, Jian-ye

Financial Supervisory Commission

Approved-certified No.:

Financial-Supervisory-Securities-Auditing-1090350620

Financial-Supervisory-Securities-Auditing-1050035683

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Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2022 and 2021 December 31

(In Thousands of New Taiwan Dollars)

ASSETS			December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 1,072,452	5	\$ 947,910	4
1110	Financial assets measured at fair value through profit or loss-current	6(2)	10,562	-	-	-
1120	Financial assets measured at fair value through other comprehensive income-current	6(3)	83,735	-	126,799	1
1136	Financial assets at amortized cost-current	6(4) and 8	204,848	1	33,872	-
1150	Notes receivable, net	6(5)	968	-	50,462	-
1170	Accounts receivable, net	6(5) and 7(2)	2,949,521	13	2,641,013	13
1200	Other receivables	6(6)	197,690	1	121,713	1
130X	Inventories	6(7)	3,454,922	15	3,056,786	14
1470	Other current assets		254,443	1	265,115	1
11XX	Total current assets		8,229,141	36	7,243,670	34
NON-CURRENT ASSETS						
1517	Financial assets measured at fair value through other comprehensive income-non-current	6(3)	65,040	-	59,513	-
1535	Financial assets at amortized cost-non-current	6(4) and 8	32	-	32	-
1550	Investments accounted for using equity method	6(8) and 8	298,839	1	318,564	2
1600	Property, plant and equipment	6(9) and 8	13,759,127	60	12,765,015	61
1755	Right-of-use assets	6(10)	316,790	2	304,088	1
1760	Investment properties, net	6(12)	30,387	-	30,387	-
1780	Intangible assets		7,552	-	6,693	-
1840	Deferred income tax assets	6(30)	48,296	-	62,159	-
1900	Other non-current assets	6(13), 7(2) and 8	171,107	1	313,498	2
15XX	Total non-current assets		14,697,170	64	13,859,949	66
1XXX	Total assets		\$ 22,926,311	100	\$ 21,103,619	100

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Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2022 and 2021 December 31

		(In Thousands of New Taiwan Dollars)			
		December 31, 2022		December 31, 2021	
LIABILITIES AND EQUITY	Note	Amount	%	Amount	%
CURRENT LIABILITIES					
2100 Short-term borrowings	6(14)	\$ 2,060,484	9	\$ 1,320,339	6
2110 Short-term notes and bills payable	6(15)	1,060,000	5	1,260,000	6
2150 Notes payable		524,871	2	921,500	5
2170 Accounts payable		899,474	4	1,104,467	5
2200 Other payables	6(16) and 7(2)	749,478	3	864,227	4
2230 Income tax payable		138,043	1	65,160	-
2280 Lease liabilities-current	6(10)	22,952	-	19,083	-
2320 Long-term liabilities due within one year or business cycle	6(17)	1,243,405	6	1,159,609	6
2399 Other current liabilities		64,952	-	18,993	-
21XX Total current liabilities		<u>6,763,659</u>	<u>30</u>	<u>6,733,378</u>	<u>32</u>
NON-CURRENT LIABILITIES					
2540 Long-term loans	6(17)	6,744,180	29	5,173,125	25
2570 Deferred income tax liabilities	6(30)	46,654	-	46,666	-
2580 Lease liabilities-noncurrent	6(10)	258,391	1	247,554	1
2600 Other non-current liabilities	6(17)(18)	137,767	1	158,768	1
25XX Total non-current liabilities		<u>7,186,992</u>	<u>31</u>	<u>5,626,113</u>	<u>27</u>
2XXX Total liabilities		<u>13,950,651</u>	<u>61</u>	<u>12,359,491</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital stock	6(20)				
3110 Common stock		2,795,175	12	2,795,175	13
Capital surplus	6(21)				
3200 Capital surplus		3,833,804	17	3,833,804	18
Retained earnings	6(22)				
3310 Appropriated as legal capital reserve		724,977	3	689,651	4
3320 Appropriated as special capital reserve		60,354	-	48,236	-
3350 Unappropriated earnings		1,530,514	7	1,316,593	6
Other equity	6(23)				
3400 Other equity		(95,158)	-	(60,354)	-
31XX Equity attributable to shareholders of the parent		<u>8,849,666</u>	<u>39</u>	<u>8,623,105</u>	<u>41</u>
36XX Non-controlling interests		<u>125,994</u>	<u>-</u>	<u>121,023</u>	<u>-</u>
3XXX Total equity		<u>8,975,660</u>	<u>39</u>	<u>8,744,128</u>	<u>41</u>
Unrecognized contractual commitments	9				
3X2X Total liabilities and equity		<u>\$ 22,926,311</u>	<u>100</u>	<u>\$ 21,103,619</u>	<u>100</u>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements.

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)
(Except for earnings per share of New Taiwan dollars)

Item	Note	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(24) and 7				
	(2)	\$ 7,339,165	100	\$ 6,686,364	100
5000 Cost of revenue	6(7) and 7(2)	(5,643,604)	(77)	(5,004,701)	(75)
5900 Gross profit		<u>1,695,561</u>	<u>23</u>	<u>1,681,663</u>	<u>25</u>
Operating expenses	6(29)				
6100 Sales and marketing expenses		(874,684)	(12)	(902,982)	(13)
6200 General and administrative expenses		(161,118)	(2)	(209,169)	(3)
6300 Research and development		(105,803)	(2)	(113,808)	(2)
6450 Expected credit losses	12(2)	(15,020)	-	(4,072)	-
6000 Total operating expenses		<u>(1,156,625)</u>	<u>(16)</u>	<u>(1,230,031)</u>	<u>(18)</u>
6900 Income from operations		<u>538,936</u>	<u>7</u>	<u>451,632</u>	<u>7</u>
Non-operating income and expenses					
7100 Interest income	6(25)	3,078	-	949	-
7010 Other income	6(26) and 7				
	(2)	77,355	1	101,135	1
7020 Other gains and losses	6(27)	266,880	4	(59,227)	(1)
7050 Finance costs	6(28)	(125,587)	(2)	(89,916)	(1)
7060 Share of associates and joint ventures income accounted for using equity method	6(8)	<u>7,836</u>	<u>-</u>	<u>(773)</u>	<u>-</u>
7000 Total non-operating income and expenses		<u>229,562</u>	<u>3</u>	<u>(47,832)</u>	<u>(1)</u>
7900 Income before income tax		<u>768,498</u>	<u>10</u>	<u>403,800</u>	<u>6</u>
7950 Income tax expense	6(30)	(139,425)	(2)	(63,157)	(1)
8200 Net income		<u>\$ 629,073</u>	<u>8</u>	<u>\$ 340,643</u>	<u>5</u>

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Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)
(Except for earnings per share of New Taiwan dollars)

Item	Note	2022		2021	
		Amount	%	Amount	%
Other comprehensive income (loss), net					
Items that will not be reclassified subsequently to profit or loss					
8311 Remeasurement of defined benefit obligation	6(19)	\$ 15,289	-	\$ 5,784	-
8316 Unrealized gains or losses on investments in equity instruments measured at fair value through other comprehensive income	6(3)	(7,451)	-	1,677	-
8320 Share of associates and joint ventures other comprehensive income accounted for using equity method - Items that will not be reclassified subsequently to profit or loss	6(8)(23)	(27,084)	-	(19,202)	-
8349 Income tax benefit (expense) related to items that will not be reclassified subsequently	6(30)	(2,923)	-	(1,147)	-
8310 Items that will not be reclassified subsequently to profit or loss		(22,169)	-	(12,888)	-
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences arising on translation of foreign operations	6(23)	33,418	-	(8,129)	-
8367 Unrealized gains or losses on investments in debt instruments measured at fair value through other comprehensive income, net	6(23)	(31,814)	-	1,514	-
8370 Share of associates and joint ventures other comprehensive income accounted for using equity method - Items that may be reclassified subsequently to profit or loss	6(8)(23)	2,552	-	4,031	-
8399 Income tax benefit (expense) related to items that will be reclassified subsequently	6(30)	2,013	-	1,383	-
8360 Items that may be reclassified subsequently to profit or loss		6,169	-	(1,201)	-
8300 Other comprehensive income (loss), net		(\$ 16,000)	-	(\$ 14,089)	-
8500 Total comprehensive income		<u>\$ 613,073</u>	<u>8</u>	<u>\$ 326,554</u>	<u>5</u>
Net income attributable to:					
8610 Shareholders of the parent		\$ 623,958	8	\$ 341,823	5
8620 Non-controlling interests		5,115	-	(1,180)	-
Total		<u>\$ 629,073</u>	<u>8</u>	<u>\$ 340,643</u>	<u>5</u>
Total comprehensive income attributable to:					
8710 Shareholders of the parent		\$ 608,102	8	\$ 328,016	5
8720 Non-controlling interests		4,971	-	(1,462)	-
Total		<u>\$ 613,073</u>	<u>8</u>	<u>\$ 326,554</u>	<u>5</u>
Basic earnings per share					
9750 Total basic earnings per share	6(31)	<u>\$ 2.23</u>		<u>\$ 1.23</u>	
Diluted earnings per share					
9850 Total diluted earnings per share	6(31)	<u>\$ 2.23</u>		<u>\$ 1.23</u>	

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements.

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statements of Changes in Equity
2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)

		Equity Attributable to Shareholders of the Parent									
		Retained earnings				Other equity					
			Capital surplus, additional paid-in capital arising from common stock	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
	Note	Common stock									
2021											
Balance at January 1, 2021		\$ 2,545,175	\$ 1,906,479	\$ 660,162	\$ 48,236	\$ 1,227,622	(\$ 42,421)	\$ 7,305	\$ 6,352,558	\$ 54,485	\$ 6,407,043
Net income		-	-	-	-	341,823	-	-	341,823	(1,180)	340,643
Other comprehensive income (loss), net of income tax	6(23)	-	-	-	-	5,160	(2,715)	(16,252)	(13,807)	(282)	(14,089)
Total comprehensive income		-	-	-	-	346,983	(2,715)	(16,252)	328,016	(1,462)	326,554
Appropriations of earnings in 2020	6(22)										
Special reserve		-	-	29,489	-	(29,489)	-	-	-	-	-
Common stock and cash dividends to shareholders		-	(72,675)	-	-	(234,794)	-	-	(307,469)	-	(307,469)
Cash capital increase	6(20)	250,000	2,000,000	-	-	-	-	-	2,250,000	-	2,250,000
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(23)	-	-	-	-	6,271	-	(6,271)	-	-	-
Non-controlling interests		-	-	-	-	-	-	-	-	68,000	68,000
Balance at December 31, 2021		\$ 2,795,175	\$ 3,833,804	\$ 689,651	\$ 48,236	\$ 1,316,593	(\$ 45,136)	(\$ 15,218)	\$ 8,623,105	\$ 121,023	\$ 8,744,128
2022											
Balance at January 1, 2022		\$ 2,795,175	\$ 3,833,804	\$ 689,651	\$ 48,236	\$ 1,316,593	(\$ 45,136)	(\$ 15,218)	\$ 8,623,105	\$ 121,023	\$ 8,744,128
Net income		-	-	-	-	623,958	-	-	623,958	5,115	629,073
Other comprehensive income (loss), net of income tax	6(23)	-	-	-	-	13,420	37,978	(67,254)	(15,856)	(144)	(16,000)
Total comprehensive income		-	-	-	-	637,378	37,978	(67,254)	608,102	4,971	613,073
Appropriations of earnings in 2021	6(22)										
Legal reserve		-	-	35,326	-	(35,326)	-	-	-	-	-
Special reserve		-	-	-	12,118	(12,118)	-	-	-	-	-
Common stock and cash dividends to shareholders		-	-	-	-	(381,541)	-	-	(381,541)	-	(381,541)
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(23)	-	-	-	-	5,528	-	(5,528)	-	-	-
Balance at December 31, 2022		\$ 2,795,175	\$ 3,833,804	\$ 724,977	\$ 60,354	\$ 1,530,514	(\$ 7,158)	(\$ 88,000)	\$ 8,849,666	\$ 125,994	\$ 8,975,660

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements.

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statement of Cash Flows
2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)

	NOTE	January 1 to December 31, 2022	January 1 to December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		\$ 768,498	\$ 403,800
Adjustments for:			
Provided by (used in) operating activities			
Depreciation-properties	6(9)(29)	623,837	559,415
Depreciation-right-of-use assets	6(10)(29)	17,926	15,592
Amortization	6(29)	5,328	6,373
Expected credit losses	12(2)	15,020	4,072
Net loss on financial assets and liabilities measured at fair value through profit or loss		10,939	-
Interest expenses	6(28)	121,373	85,708
Interest expenses-lease liabilities	6(28)	4,214	4,208
Interest income	6(25)	(3,078)	(949)
Share of associates losses (income) accounted for using equity method	6(8)	(7,836)	773
Gains on disposal of property, plant and equipment	6(27)	(6,823)	(5,630)
Unrealized exchange loss (profit)		(37,065)	37,465
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		49,917	(31,967)
Accounts receivable (including related-parties)		(348,686)	(414,847)
Other receivables		(74,611)	(9,002)
Inventories		(393,085)	(1,160,392)
Other current assets		11,257	(106,631)
Increase in other non-current assets		(40,621)	(15,617)
Changes in liabilities			
Notes payable		(396,629)	489,988
Accounts payable (including related-parties)		(211,638)	527,247
Other payables		(111,860)	306,051
Other current liabilities		39,915	(48,867)
Other non-current liabilities		(6,410)	1,230
Cash generated from operations		29,882	648,020
Income tax paid		(54,694)	(42,627)
Interest received		2,606	950
Interest paid		(128,699)	(90,406)
Net cash generated from (used in) operating activities		(150,905)	515,937

(continue in next page)

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statement of Cash Flows
2021 and 2020 January 1 to December 31

(In Thousands of New Taiwan Dollars)

	NOTE	January 1 to December 31, 2022	January 1 to December 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of financial assets measured at fair value through other comprehensive income-current		\$ 29,077	\$ 1,636
Acquisition of financial assets measured at fair value through other comprehensive income-non-current		(4,519)	(7,121)
Decrease (Increase) in financial assets at amortized cost		(169,330)	54,839
Acquisition of financial assets measured at fair value through profit or loss		(21,501)	-
Acquisition of investments accounted for using equity method		(5,000)	(11,925)
Dividends received from investments accounted for using equity method		2,441	1,221
Acquisition of property, plant and equipment	6(32)	(1,394,627)	(1,582,254)
Proceeds from disposal of property, plant and equipment		8,015	197,125
Decrease (Increase) in refundable deposits		(1,178)	7,646
Increase in intangible assets		(6,177)	(5,791)
Net cash used in investing activities		(1,562,799)	(1,344,624)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (Decrease) in short-term borrowings	6(33)	732,184	(762,651)
Increase (Decrease) in short-term notes and bills payable	6(33)	(200,000)	660,000
Proceeds from long-term loans	6(33)	4,272,971	1,385,207
Repayment of long-term loans	6(33)	(2,641,889)	(2,238,866)
Repayment of the principal portion of lease liabilities	6(33)	(16,288)	(13,468)
Cash capital increase	6(20)	-	2,250,000
Cash dividends	6(22) (33)	(381,541)	(307,469)
Net cash generated from financing activities		1,765,437	972,753
EFFECT OF EXCHANGE RATE		72,809	8,177
NET INCREASE IN CASH AND CASH EQUIVALENTS		124,542	152,243
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		947,910	795,667
CASH AND CASH EQUIVALENTS, END OF YEAR		\$ 1,072,452	\$ 947,910

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements and should be read in conjunction with these consolidated financial statements.

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited
Consolidated Financial Statements Notes
2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

一、History of the Company

Hota Industrial Manufacturing Company Limited (the “Company”) or Hota Industrial Manufacturing Company Limited with subsidiaries (the “Group”), is a Republic of China (R.O.C.) corporation, was incorporated in January, 1973 and started to operate at the same time. The Group is a dedicated foundry in the manufacturing and selling gear wheels, shafts and various transmission parts like for automobile, motorbike, agricultural machinery, tooling machinery, etc. In September 2011, the Group’s shares were listed on the Taiwan Stock Exchange (TWSE).

二、Approval date and procedures of the financial statements

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 16, 2023.

三、Application of newly issued and revised standards and interpretations

(一) Application of the amendments to the IFRSs endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2022:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
2018-2020 Periodical Annual Improvements	January 1, 2022

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

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

New standards, interpretations and amendments issued by IASB and applicable in 2023 but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023

Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”

January 1, 2023

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

(三) The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets To be determined by IASB between an Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

四、Summary of significant accounting policies

Significant accounting policies adopted in preparation of these consolidated financial statements are listed as below, which have been consistently applied during all reporting periods except other specific illustrations.

(四) Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC with the effective dates (collectively, “Taiwan-IFRSs”).

(五) Basis for preparation

1. Except below key items, these consolidated financial statements have been prepared on the historical cost basis:
 - (1) Financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.
 - (2) Financial assets measured at fair value through other comprehensive income.
 - (3) Determined welfare liabilities are recognized as the net amount of the present value of the definite welfare obligations after the deduction of retirement fund assets.
2. The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial

statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(六) Basis of consolidation

1. The basis for the consolidated financial statements

- (1) The group incorporates all subsidiaries into the consolidated financial report compilation body. Subsidiary refers to an entity controlled by the group (including structured entities). When the group is exposed to variable compensation from the participation of the individual or has rights to such variable compensation, and through its power or ability to influence the individual's payment, the Group controls the individual. Subsidiaries will enter the consolidated financial report from the day when the Group gains control, and terminates the merger on the day when the control is lost.
- (2) Transactions, balances and unrealized equities between subsidiaries are eliminated. Accounting policies of subsidiaries have done essential adjustments to be the same as the Group's.
- (3) Each component of the profit and loss and other comprehensive gains and losses is attributed to the owner of the parent company and non-controlling interest. The total amount of the comprehensive profit and loss is also attributed to the owner of the parent company and the non-controlling interest, even if there is a non-controlling loss caused by the equity.
- (4) If the change in the amount of stocking owned by the subsidiaries does not lead to loss of control (transaction with non-controlling rights and interests), it is treated as an equity transaction, which means it is treated as a transaction with the owner. The difference between the adjustment amount of the non-controlling equity and the fair value of the consideration paid or received is directly recognized as equity.
- (5) When the Group loses the control over subsidiaries, re-evaluate the remaining investment at fair value, and set it as cost for initial recognition of financial assets or of affiliates investment, the fair value and carrying amount are recognized as current profit and loss. For all amounts previously recognized in other comprehensive profit and loss related to the subsidiary, the accounting handles the same as if the Group directly disposes of related assets or liabilities, which is, if the profit or loss previously recognized as other comprehensive profit or loss, when disposing of related assets or liabilities, they will be re-classified as profit or loss. When the control of the subsidiary is lost, the profit or loss will be re-classified from equity as profit or loss.

2. The subsidiaries in the consolidated financial statements:

		<u>Percentage of ownership (%)</u>			
<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business and products</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Note</u>
Hota Industrial Manufacturing Company Limited	Hozuan Investment Company Limited	Investment activities	100	100	

Hota Industrial Manufacturing Company Limited	Howin Precision Company Limited (“Howin”)	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	61.05	61.05	
Hota Industrial Manufacturing Company Limited	Wuxi Hota Precision Gear Company Limited (“Wuxi Hota”)	Manufacturing and sell various of precision gears for automobiles and motorbikes	-	100	Note 3

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business and products</u>	<u>Percentage of ownership (%)</u>		<u>Note</u>
			<u>December 31, 2022</u>	<u>December 31, 2021</u>	
Hota Industrial Manufacturing Company Limited	HOTATECH, INC.	Sell various precision gears for automobiles and reinvest USA Unison Investment Co., Inc. for selling various precision gears of automobiles	100	100	
Hota Industrial Manufacturing Company Limited	CAPTAIN HOLDING CO., LTD.	Holding company	100	100	
Hota Industrial Manufacturing Company Limited	Juda Intelligent Technology (“Juda”)	Manufacturing and sell various of precision gears for automobiles and motorbikes	83.33	83.33	
Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd. (“Hefu”)	Construction and investment development of residences, apartments and mixed residential office buildings	50	50	Note 1
Hota Industrial Manufacturing Company	Helun Precision Co., Ltd. (“Helun Ltd.”)	Manufacturing and sell various of precision gears for automobiles and motorbikes	100	-	Note 2

Limited				
HOTATECH, INC.	UNISON INVESTMENT CO., INC.	Selling various precision gears and shafts of automobiles	-	100 Note 4
CAPTAIN HOLDING CO., LTD.	Howon (Whaian) Automobile Components Company Limited	Manufacturing and selling of automobile gearboxes and gears	100	100

Note 1: The Group established the subsidiary, Hefu Construction Co., Ltd., on August 2021.

Note 2: The Group established the subsidiary, Helun Precision Co., Ltd., on January 2022.

Note 3: The Group disposed the subsidiary, Wuxi Hota Precision Gear Company Limited, in June 2022.

Note 4: The Group disposed the second-tier subsidiary, UNISON INVESTMENT CO., INC, in February 2023.

3. Subsidiaries not included in consolidated financial reports: None.

4. Subsidiaries adopting different ways of adjustment and handling during accounting period: None.

5. Significant limitations: None.

6. Subsidiaries hold significant un-controlling rights and profits to the Group: None.

(七) Foreign currency translations

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollar.

1. Foreign currency transaction & balance

- (1) Foreign currency transactions are converted into functional currency using the spot exchange rate on the transaction day or the measurement day, and the conversion difference resulting from such transactions is recognized as the current profit or loss.
- (2) The balance of foreign currency assets & liabilities will be adjusted according to the spot exchange rate on the date of the asset liability balance sheet, and the conversion difference resulting from the adjustment shall be recognized as current profit and loss.
- (3) The balance of foreign currency non-monetary assets & liabilities that is measured at fair value through other comprehensive gains and losses is evaluated and adjusted at the spot exchange rate on the reporting date. The conversion difference arising from the adjustment is recognized in other comprehensive gains and losses; The fair value measurement is based on the historical exchange rate on the initial transaction date.
- (4) All currency exchange profits and losses are listed in “other profit and loss” in the income statement.

2. Conversion of foreign operations

- (1) Functional currency and expression currency are different from all group entities, associated enterprises & joint agreements, and their operating results and financial status are converted into expression currency as following:
 - A. The assets & liabilities expressed in each asset liability table are converted at the closing exchange rate on the asset liability table date;
 - B. The income & expenses expressed in each consolidated income statement are converted at the current average exchange rate;
 - C. All conversion differences resulting from the conversion are recognized as other consolidated profits and losses.

- (2) When the foreign operating organization that is part of the disposition or sale is a subsidiary company, the accumulated exchange difference recognized as other comprehensive gains and losses will be re-attributed to non-controlling interests of the foreign operating organization. However, even if the Group still retains the partial rights and interests of the former subsidiary, it has lost the control of the foreign operations' subsidiary company, it will deal with the entire right and interest of the foreign operations.

(八) The classification standards of current & non-current for assets and liabilities

1. Assets that meet 1one of the following conditions are classified as current assets:

- (1) Assets were expected to realize in normal business cycle or they are intended to be sold or consumed.
- (2) Assets were held on the purpose of transaction.
- (3) Assets expected to realize within 12 months after the reporting date.
- (4) Cash and cash equivalents are included except those who are subject to restrictions on exchange or use to pay off debts at least 12 months after the date of the reporting date.

The Group classifies those not meeting above conditions to be non-current assets.

2. Liabilities that meet 1one of the following conditions are classified as current liabilities:

- (1) Assets were expected to realize in normal business cycle.
- (2) Assets were held on the purpose of transaction.
- (3) Liabilities expected to realize within 12 months after the reporting date.
- (4) It is not possible to defer the repayment period without any condition at least 12 months after the date of the reporting date. Indebtedness clauses which may lead to liquidation by issuing equity instruments, depending on the choice of the trading counterparty, do not affect their classification.

The Group classifies those not meeting above conditions to be non-current liabilities.

(九) Cash equivalents

Cash equivalents refer to short-term and highly liquid investments that can be converted into fixed amount of cash at any time and the risk of value deviation is very small.

(十) Financial assets measured at fair value through profit or loss

1. Refers to financial assets that are not measured at amortized cost or at fair value through other comprehensive income. Financial assets that are measured at amortized cost or at fair value through other comprehensive income, when the measurement can be eliminated or significantly reduced or the recognition is not consistent, the Group specifies at the time of initial recognition as measured at fair value through profit or loss of financial assets.
2. The Group adopts trading day accounting for financial assets that are measured at fair value through profit or loss of transactions in compliance with customary transactions.
3. The Group initially recognizes financial assets measured at fair value, and the related transaction costs measured at fair value subsequently, along with gains or losses are recognized in profit or loss.
4. When the right to receive dividends is confirmed, the economic benefits related to the dividends are likely to flow in. And then the amount of dividends can be reliably measured, the Group recognizes dividend income in profit or loss.

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

1. Regarding the non-cancellable option at the time of initial recognition, the fair value changes of the investment of equity instruments not holding for trading is reported to other comprehensive income. Or at the same time, it meets the following investment conditions:
 - (1) Holding the financial assets under the business model for the purpose of collecting contractual cash flow and selling.

- (2) Cash flow that the financial assets generate during the specific contract terms is entirely for the payment of the principal amount and for the circulation the interest and interest of the principal amount.
2. The Group adopts trading day accounting for financial assets that are measured at fair value through other comprehensive income in compliance with customary transactions.
3. The Group initially recognizes the fair value of financial assets, plus the transaction costs measured at fair value subsequently:
 - (1) Changes in the fair value of equity tools are recognized in other comprehensive profits and losses, and are recognized before they are to be delisted Cumulative gains and losses listed in other comprehensive gains and losses or subsequent losses and losses cannot be reclassified to gains & losses, and transferred to retained earnings. When the right to receive dividends is confirmed, the economic benefits related to the dividends are likely to flow in. And then the amount of dividends can be reliably measured, the Group recognizes dividend income in the profit and loss.
 - (2) Changes in the fair value of debt instruments are recognized in other comprehensive profit and loss, impairment losses, interest income and foreign currency exchange gains and losses before delisting are recognized in profit and loss. And when delisting, accumulated gains or losses previously recognized in other comprehensive profit and loss would re-classify as profit and loss instead of equity.

(+ 二) Financial assets at amortized cost

1. Refers to those who meet the following conditions at the same time:
 - (1) Holding the financial asset under the operating model for the purpose of obtaining the total cash flow from the contract.
 - (2) Cash flow that the financial assets generate during the specific contract terms is entirely for the payment of the principal amount and for the circulation the interest and interest of the principal amount.
2. The Group adopts trade-day accounting for financial assets that comply with transaction conventions which are measured at amortized cost after sale.
3. At the time of initial recognition, the company calculates the transaction as a cost measurement based on its fair value, and subsequently adopts the effective interest method to recognize the interest income during the circulation period according to the amortization procedure and recognition of the impairment loss. In addition, when listing, the profit or loss is recognized in profit and loss.
4. The Group holds fixed deposits that do not meet the cash equivalents. Due to the short holding period, the effect of discounting is not significant, and it is measured by the amount of investment.

(+ 三) Accounts and notes receivable

1. Refers to the accounts and notes receivable that have been unconditionally received in exchange for the right to the value of the transfer of goods or services in accordance with the contract.
2. Short-term accounts and notes receivable that are interests unpaid, which the discount has little impact. The Group uses the original invoice amount to measure the amount.
3. The business model of the Group's expected sale of accounts receivable is to collect contractual cash flow and sell, and then to be measured at fair value, and changes are recognized as other comprehensive income.

(+ 四) Financial asset impairment

On every day of the balance sheet of assets, the Group invests in debt instruments measured at fair value through other comprehensive gains and losses & receivables from financial

assets measured at amortized cost and part of the account that contains major financial affairs. After considering all reasonable and corroborative information (including forward-looking information), for those whose credit risk has not increased significantly since the initial recognition, the amount of loss will be adjusted against the expected credit loss for 12 months. For those whose credit risk has increased significantly since the initial recognition, the credit loss balance shall be adjusted against the loss based on the expected credit loss amount during the duration. Regarding accounts receivable or contract assets that do not include major components in financial statements, the balance of losses is offset against the amount of expected credit losses during the duration.

(十 五) Derecognition of financial assets

The Group derecognizes a financial asset only when situation happens as follow:

1. The contractual rights to the cash flows from the financial asset expire.
2. The contractual rights to the cash flows from the financial asset have been transferred and all the risks and rewards of the financial asset ownership have been removed.
3. The contractual rights to the cash flows from the financial asset have been transferred and the Group doesn't reserve the control of the financial asset.

(十 六) Lease transaction as a lessor, lease account receivable / operating lease

Rent income from operating lease excluding any incentive given to the lessee, is recognized on a straight-line basis over the term of the lease.

(十 七) Inventory

Inventories are recognized at the lower of cost or net realizable value where cost is calculated by the weighted average method. The costs of finish goods and work-in-process include raw material, direct labor, other direct costs, and manufacturing cost related to production apportioned according to normal production capacity, except the cost of financing. When comparing the cost and the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value of the inventory is determined mainly based on the price estimated during the normal business process deduct cost assumptions of future demand and related variable sales expense.

(十 八) Investments accounted for using equity method / associates

1. An associate is an entity over which the Group has significant influence and that is not a subsidiary. Usually, the Group owns directly or indirectly over 20% of the voting right. Under the equity method, an investment in an associate is initially recognized at its cost of acquisition.
2. The Group recognizes the share of income after acquisition as income of current period, and the share of other comprehensive income after acquisition as other comprehensive income. The share of loss of any associate has equal or exceed the Group's equity including any other unsecured receivables, the Group shall not recognize any further loss, except statutory obligation, presumptive obligation, or payables for the associate.
3. Equity changes against non-income or other comprehensive income without influence on the shareholding percentage of the associate, the Group shall recognize the share of equity changes as capital reserve.
4. The unrealized gain/loss of the transaction between the Group and the association has been eliminated by the adjustment to the share of its equity except clear evidence indicates the assets transferred have been impaired. The accounting policies of the association have been adjusted for sure and consistent with that of the Group.
5. 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 value of the

associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to “Capital reserve” and “Investments Account for Using Equity Method.” If the Group’s investment percentage is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income related to that associate shall be reclassified to profit or loss on the same basis.

6. When the Group disposes shares of an association, if it loses significant influence on the association, the accounting treatment of all amounts previously recognized in other comprehensive income related to the association will be the same basis as if the Group directly disposes of related assets or liabilities. That is if the benefits or losses previously recognized as other comprehensive income will be reclassified as gains and losses when the relevant assets or liabilities are disposed of. When the Group loses a significant influence on the association, the benefits or losses will be taken from equity shall be reclassified as profit and loss. If it still has a significant influence on the association, the amount previously recognized in other comprehensive income will be transferred out in the previously mentioned manner only on a proportional basis.

(十九) Property, plant and equipment

1. Property, Plant and Equipment are accounted on the basis of acquisition cost, and the relevant interest during the acquisition and construction period is capitalized.
2. Subsequent costs are accounted in the book amount of the asset or recognized as a separate asset only when the future economic benefits related to the item are likely to flow into the Group and the cost of the item can be reliably measured. The book amount of the replacement shall be delisted. All other maintenance costs are recognized as current profit and loss when incurred.
3. Property, plant, and equipment are measured at the cost model. Except for land without depreciation, other depreciation is calculated on a straight-line basis based on the estimated useful lives. If the Property, Plant, and Equipment components are significant, their depreciation shall be separately enlisted.
4. The Group reviews the residual value, estimated useful lives, and depreciation method of each asset at the end of the fiscal year. If the expectation of the residual value or the estimated useful lives is different from the previous estimation, or the expected consumption pattern for the future benefits contained in the asset changes significantly, it shall be handled on the date incurred in accordance with International Accounting Standard No. 8, “Accounting Policies, Changes in Accounting Estimates and Errors”.

Estimated useful lives of assets are listed below:

Buildings and Construction (including ancillary works)	6 ~ 50 years
Mechanical equipment	3 ~ 26 years
Transportation equipment	3 ~ 16 years
Utility equipment	5 ~ 16 years
Other equipment	2 ~ 25 years

(二十) Lease transaction as a Lessee — right-of-use assets / lease liabilities

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease properties. Payments of lease contracts for short-term leases (leases of machinery and equipment and others) and low value assets leases are recognized as expenses on a straight-line basis during the lease period.

2. Lease liabilities are measured at the present value of the unpaid lease payments discounted by the lessee's incremental borrowing rates at the commencement date of the lease. Lease payments include:
Fixed payments, deduct collectable lease incentives.
Thereafter, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease period. When the lease period or lease payment changes due to non-contract modification, the Group re-measures the lease liabilities with a corresponding adjustment to the right-of-use assets.
3. Right-of-use assets are measured at cost on the commencement date of the lease, where the cost including:
 - (1) The initial measurement of lease liabilities;
 - (2) Any lease payment at or before the commencement date;
 - (3) Any initial direct cost happened on the asset.
 Subsequent measurement is calculated as cost less accumulated depreciation against whether the estimated useful lives of assets or the lease terms is earlier. When the lease liabilities were remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.
4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

(二十一) Investment properties

Initial recognition of investment properties shall be recognized at cost of acquisition, and subsequent measurement shall be presented at cost model.

(二十二) Intangible assets

1. Computer software

Computer software is recognized at the cost and straight-line amortized according to its estimated useful life of 1 to 3 years.

2. Intangible assets, such as Royalties for technology transfer, are straight-line amortized on their estimated useful life of 1 to 5 years.

(二十三) Impairment of non-financial assets

The Group estimates the recoverable amount of assets that show signs of impairment on the date of the balance sheet. When the recoverable amount is lower than its book value, the impairment loss is recognized. Recoverable amount refers to the higher value of an asset at fair value minus the cost of disposal or its value use. When there is none or reduction of impairment in the assets recognized in the previous year, the impairment loss shall be reversed, but the book value increment of the asset by the reverse of the impairment loss shall not exceed the book value of the asset which was assumed no impairment and was deducted depreciation or amortization.

(二十四) Loan

Loan refers to long-term and short-term loans borrowed from banks. The Group measures its fair value minus transaction costs at initial recognition. Subsequently, for any difference between the price after deducting transaction costs and the redemption value, the interest expenses during the circulation period use the effective interest method to recognize profit and loss in the amortization procedure.

(二十五) Accounts and notes payable

1. Note payable refers to debts arising from the purchase of raw materials, commodities or

labor services on credit and arising from business or non-business factors.

2. Due to the discount has little effect, short-term accounts payables and note payables that interest unpaid, the Group uses the initial invoice amount to measure.

(二十六) Derecognition of financial liabilities

When the contractual obligations are fulfilled, canceled, or expired, the Group will derecognize the financial liabilities.

(二十七) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as an expense in exchange for service rendered by employees.

2. Retirement benefits

- (1) Defined contribution plans

For defined contribution plans, the amount of the retirement fund on the basis of employee's responsibilities is recognized as the cost of the benefit plan of the current period.

- (2) Defined benefit plans

A. The net benefit liabilities under the defined benefit plan are calculated by discounting the number of future benefits the employee earned now or in the past, and the present value of defined benefit liabilities on the date of the balance sheet deduct the fair value of the beneficial asset. The net benefit liabilities are determined by the actuary's calculations every year using the Projected Unit Credit Method. The discount rate refers to the market rate of return of government bonds (on the balance sheet date).

B. Remeasurement from the defined benefit plan is recognized in other comprehensive income of the current period, and reflected in retained earnings.

3. Remuneration to employees, directors and supervisors

Remuneration to employees, directors and supervisors are recognized as expenses and liabilities when there are legal or expected obligations and the amount can be reasonably estimated. If there is a discrepancy between the actual and estimated allotment and the subsequent resolution of the shareholders' meeting, it shall be dealt with the Changes in Accounting Estimates.

(二十八) Share-based payment

The share-based payment agreement for equity delivery refers to the employee services obtained by measuring the fair value of the equity instruments given on the grant date, which is recognized as remuneration costs during the vested period, and the equity is relatively adjusted. The fair value of equity instruments should reflect the effects of both acquired and non-vested conditions on the market price. The recognized remuneration cost is adjusted in accordance with the expected amount of rewards that meet the service conditions and the non-market price vested conditions until the final recognized amount is recognized by the vested amount on the vesting date.

(二十九) Income tax

1. Income taxes include current and deferred income taxes. Except for the income tax items included in other comprehensive income or equity, which are separately listed in other comprehensive income or directly listed in the Equity, the income tax is recognized in the income.
2. The Group calculates the current income tax based on the tax rate that has been legislated on the balance sheet date of the country where it operates and generates taxable income. The management regularly evaluates the status of income tax declarations with respect to

applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. Income tax of retained earnings is levied in accordance with the Income Tax Act. In the next year after the subsequent earnings are generated, after the shareholders' meeting ratified the earning distribution proposal, the distribution of actual earnings will be confirmed and the retained earnings income tax expenses will be recognized.

3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the tax base of assets and liabilities and their book amounts in the consolidated balance sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction and does not affect accounting profits or accounting at the time of the transaction. Tax income (taxable loss) is not recognized. If the temporary difference caused by investing in a subsidiary company, the Group can control the timing of the reversion of the temporary difference, and the temporary difference will not be recognized if it is likely that it will not revert in the foreseeable future. Deferred income tax adopts the tax rate (and Tax Acts) that has been enacted on the balance sheet date and is expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized within the scope where temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are reassessed on each balance sheet date.
5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is statutory enforcement power to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or by different taxpayers but each entity intends to deferred income tax assets and liabilities are offset against each other when the net basis is settled or the assets and liabilities are realized at the same time.

(三十) Shares

1. Common shares are classified as equity. The net amount directly attributable to the increase in the issuance of new shares or stock options after deduction of taxes is listed as a price reduction in Equity.
2. When the Company buys back the outstanding shares, the payment of consideration including any increase costs directly attributed and excluding tax, is recognized as a deduction of Equity. When the purchased shares are reissued afterward, the payment of consideration received will deduct any increase costs directly attributed and income tax influence, the difference against the book value of the shares will be recognized as an adjustment to equity.

(三十一) Dividend distribution

Dividend to the shareholders of the Company is based on the resolution of the shareholders' meeting of the Company and recognized in the financial statements. Cash dividends are recognized as Liability; Stock dividends are recognized as Stock dividends to be distribute, and will be transferred to common shares on the base date for the issuance of new shares.

(三十二) Revenue recognition

The group manufactures and sells gear wheels, shafts, and various transmission components products. Revenue is the fair value of the received or receivable for the sales of goods to

customers outside the Group in normal business activities, expressed in deducting sales tax, sales returns, quantity discounts, and discounts. Revenue is recognized when the control power of the product is transferred to the customer, which means when the product is delivered to the customer and the Group has no uncompleted contractual obligations that may affect the customer's acceptance of the product. When the control of the product has been transferred to the customer, the group neither continues to participate in the management of the product nor maintains effective control over the product, and the customer accepts the product according to the sales contract, and there is objective evidence showing that all acceptance terms have been met, the delivery of the product assures.

(三十三) Government grant

Government grants can be reasonably assured that an enterprise will comply with the conditions imposed, and it will be recognized at its fair value. If the nature of the Government grant is to compensate for the Group's expenses, it will be recognized as the current profit and loss on the basis of the system during the occurrence of the related expenses. Government grants related to real estate, housing, and equipment is recognized as non-current liabilities and as current profits and losses based on the estimated useful life of the relevant assets using the straight-line method.

(三十四) Operating departments

The Group's operating departments' information and internal management reports provided to the main operating decision-makers are reported in a consistent manner. The main operational decision-maker is responsible for allocating resources to the operating departments and evaluating their performance, which has been identified that the main operating decision-maker of the Group is the Board of Directors.

五、Significant sources of uncertainty in major accounting judgments, assumptions and estimates

When the Group prepared this consolidated financial report, the management has used its judgment to determine the accounting policy and made accounting estimations and assumptions based on reasonable expectations of future events on the circumstances at the balance sheet date. The major accounting judgments and assumptions may be different from the actual results and will be continuously evaluated and adjusted from historical experience and other factors. These estimations and assumptions have the risk that the book value of assets and liabilities will be adjusted significantly in the next fiscal year. Please follow explanations on major accounting judgments, assumptions, and uncertainty of estimations:

(1) Major accounting estimates and assumptions

Since inventory is priced at the lower of cost and net realizable value, the Group should use judgment and estimation to determine the inventory net realizable value on the balance sheet date. Because technology evolves fast, the Group assesses the amount of inventory on the balance sheet due to normal loss, obsolescence, or no-market sales value, and reduces the inventory cost to the net realizable value. This inventory evaluation is mainly based on the product demand in a specific period in the future as the estimation basis, so significant adjustments may occur.

The Group's book value of inventory is \$3,454,922 thousand for the year ended December 31, 2022.

六、Explanation of important accounting subjects

(一) Cash and cash equivalents

	December31, 2022	December31, 2021
Cash on hand and working capital	\$ 4,778	\$ 3,020
Demand deposit	703,587	704,039
Foreign currency deposit	363,975	240,839
Check deposit	112	12
Total	<u>\$ 1,072,452</u>	<u>\$ 947,910</u>

1. The Group maintains good credit quality with financial institutions and interacts with many financial institutions to disperse credit risks. The possibility of defaults is expected to be very low.
2. The Group has not provided cash or cash equivalents as pledges.

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

Items	December31, 2022	December31, 2021
Current:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed (OTC) stocks	\$ 21,501	—
Evaluation adjusted	(10,939)	—
Total	<u>\$ 10,562</u>	<u>\$ —</u>

Financial assets measured at fair value through profit or loss recognized in statements of profit or loss are listed below:

	<u>2022</u>	<u>2021</u>
Net loss on financial assets mandatorily measured at fair value through profit or loss	<u>(\$ 7,806)</u>	<u>\$ —</u>

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

Items	December 31, 2022	December 31, 2021
Current:		
Equity instruments		
Listed company stocks	\$ 121,246	\$ 150,323
Evaluation adjusted	(37,511)	(23,524)
Total	<u>\$ 83,735</u>	<u>\$ 126,799</u>
Non-current:		
Equity instruments		
Non-listed, non-OTC-listed, emerging stocks	\$ 92,703	\$ 88,184
Evaluation adjusted	(27,663)	(28,671)
Total	<u>\$ 65,040</u>	<u>\$ 59,513</u>

1. The Group chose to classify the strategic equity investments as financial assets measured at

fair value through other comprehensive income, the fair values of these investments are as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets measured at fair value through other comprehensive income		
Fair value	<u>\$ 148,775</u>	<u>\$ 186,312</u>

2. The Group sold the equity investments at fair value of \$29,077 thousand and \$3,359 thousand in the year of 2022 and 2021, respectively, and the cumulative gains on disposal of investments were \$5,528 thousand and \$6,271 thousand, respectively.

3. Financial assets measured at fair value through other comprehensive income recognized in statements of profit or loss and comprehensive income are listed below:

	<u>2022</u>	<u>2021</u>
<u>Equity investments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	(\$ 7,451)	\$ 2,176
Derecognition of cumulative gains transferred to retained earnings	(5,528)	(6,271)
Total	<u>(\$ 12,979)</u>	<u>(\$ 4,095)</u>
Dividend revenue recognized in profit or loss		
Holding as of December 31, 2022	<u>\$ 5,332</u>	<u>\$ 4,356</u>

4. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group outstanding FVTOCI financial assets on December 31, 2022, and 2021 were \$148,775 thousand and \$186,312 thousand, respectively.
5. Risk and fair value information of the FVTOCI financial assets, please refer to Note 12(2) and (3) for details.

(四) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current		
Restricted deposit	<u>\$ 204,848</u>	<u>\$ 33,872</u>
Non-current:		
Restricted deposit	<u>\$ 32</u>	<u>\$ 32</u>

1. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group's outstanding financial assets at amortized cost on December 31, 2022 and 2021 were as following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at amortized cost	<u>\$ 204,880</u>	<u>\$ 33,904</u>

2. The Group provides time deposits as pledge guarantees, please refer to Note 8 for details.

(五) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivable	<u>\$ 968</u>	<u>\$ 50,462</u>	<u>\$ 18,537</u>
Accounts receivable	\$ 3,008,645	\$ 2,693,721	\$ 2,264,779
Less: Loss allowance	<u>(59,124)</u>	<u>(52,708)</u>	<u>(49,700)</u>
	<u>\$ 2,949,521</u>	<u>\$ 2,641,013</u>	<u>\$ 2,215,079</u>

1. Aging schedule of accounts receivable and notes receivable is listed below:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 2,403,433	\$ 968	\$ 2,291,574	\$ 50,462
Within 120 days	387,399	-	277,969	-
121-240 days	140,475	-	41,341	-
241-360 days	27,460	-	55,521	-
Over 361 days	<u>49,878</u>	<u>-</u>	<u>27,316</u>	<u>-</u>
	<u>\$ 3,008,645</u>	<u>\$ 968</u>	<u>\$ 2,693,721</u>	<u>\$ 50,462</u>

The above is an aging schedule based on the number of overdue days.

- As of December 31, 2022 and 2021, and January 1, 2021, the balance of account receivable (including notes receivable) between the Group and its customers was \$3,009,613 thousand, \$2,774,183 thousand and 2,283,316 thousand, respectively.
- The Group signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of December 31, 2022 and 2021, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was \$830,834 thousand and \$734,618 thousand, respectively. On December 31, 2022, the valuation adjustment recognized in FVTOCI financial assets was \$40,860 thousand; in addition, accumulated other comprehensive income reclassified to profit or loss was \$11,574 thousand. For information about the transfer of financial assets, please refer to Note 6(6).
- Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group's outstanding notes and accounts receivable on December 31, 2022 and 2021 were the book value of notes and accounts receivable in each installment, respectively.
- For information on the credit risk information of accounts and notes receivable, please refer to Note 12(2).

(六) Transfer of financial assets

Delist all financial assets transferred

- The Group signed an account receivable factoring contract with O-Bank in January 2018. According to the contract, when the Group sells account receivable to O-Bank, the bank prepays approximately 90% of accounts receivable to the Group, 10% remains will be paid to the group until the bank collects all accounts receivable. The Group waives the risk of uncollectible accounts receivable but bears the burden by commercial disputes. The Group neither provides collaterals nor any continuous participation in all accounts receivable transferred, so the Group has already delisted the accounts receivable sold.
- As of December 31, 2022 and 2021, the Group has delisted accounts receivable, and the relevant information unexpired is as follows:

December 31, 2022

Financing objects	AR sold	Amount delisted	Amount advanced	Available advance amount	Interest rate range (%)
O-Bank	<u>\$ 277,553</u>	<u>\$ 277,553</u>	<u>\$ 249,669</u>	<u>\$ 27,884</u>	5.05~5.39

December 31, 2021

Financing objects	AR sold	Amount delisted	Amount advanced	Available advance amount	Interest rate range (%)
O-Bank	<u>\$ 282,452</u>	<u>\$ 282,452</u>	<u>\$ 254,055</u>	<u>\$ 28,397</u>	0.75~0.95

For the years ended December 31, 2022 and 2021, the Group had reserve accounts of \$27,884 thousand and \$28,397 thousand from the accounts receivable sold, respectively, which were transferred to other receivables. The accounts receivable sold that were qualified for delisting were classified as other receivables, and the advance amount was classified as bank loans.

(七) Inventories

		<u>December 31, 2022</u> <u>Allowance for price</u> <u>reduction</u>	<u>Book value</u>
Raw material	\$ 825,438	(\$ 15,338)	\$ 810,100
Work in process	1,440,974	(24,424)	1,416,550
Finish goods	1,115,990	(80,656)	1,035,334
Buildings under construction	192,938	-	192,938
Total	<u>\$ 3,575,340</u>	<u>(\$ 120,418)</u>	<u>\$ 3,454,922</u>

		<u>December 31, 2021</u> <u>Allowance for price</u> <u>reduction</u>	<u>Book value</u>
Raw material	\$ 855,181	(\$ 12,978)	\$ 842,203
Work in process	1,263,149	(20,786)	1,242,363
Finish goods	961,918	(71,355)	890,563
Buildings under construction	81,657	-	81,657
Total	<u>\$ 3,161,905</u>	<u>(\$ 105,119)</u>	<u>\$ 3,056,786</u>

Inventory cost recognized by the Group as expenses in the current period:

	<u>2022</u>		<u>2021</u>
Cost of inventory sold	\$ 5,728,185	\$	5,082,865
Loss allowance of inventory write-downs and obsolescence loss	15,299		11,500
Income of sale of scraps and obsoletes (	103,402)	(	93,215)
Other	3,522		3,551
	<u>\$ 5,643,604</u>	<u>\$</u>	<u>5,004,701</u>

(八) Investments accounted for using equity method

1. The book value of individual insignificant associates of the Group and their share of operating results are summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
KAO FONG MACHINERY CO., LTD.	\$ 251,777	\$ 269,731
LING WEI CO., LTD.	44,920	44,396
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	2,142	4,437
	302,575	322,300
Less: Accumulated loss	(3,736)	(3,736)
	<u>\$ 298,839</u>	<u>\$ 318,564</u>

	<u>2022</u>	<u>2021</u>
Net loss of continuing operations	\$ 7,836	(\$ 773)
Other comprehensive income, net of tax	(25,959)	(15,171)
Total comprehensive income	<u>(\$ 18,123)</u>	<u>(\$ 15,944)</u>

2. The Group holds less than 20% of the shares of Kao Fong Machinery Co., Ltd., as the Group is able to influence its financial and operational policies, it is classified as an associate of the Group.
3. The Group's investment in Kao Fong Machinery Co., Ltd. has a public quotation, the details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments accounted for using equity method		
Fair value	<u>\$ 179,119</u>	<u>\$ 208,682</u>

4. The group has assessed Taiwan Pyrolysis & Energy Regeneration Corp. has ceased business and has no actual operations. Therefore, the entire investment is listed as an impairment loss of \$3,736 thousand.
5. The details of share of associations and joint ventures income accounted for using equity method are as follows:

Investment income (loss)

<u>Investees</u>	<u>2022</u>	<u>2021</u>
KAO FONG MACHINERY CO., LTD.	\$ 7,651	(\$ 5,816)
LING WEI CO., LTD.	2,965	3,969
TAKAWA SEIKI, INC.	(2,780)	1,074
	<u>\$ 7,836</u>	<u>(\$ 773)</u>

The share of associations income recognized for the investment accounted for using equity method was based on evaluations of financial statements of the investee companies that were prepared by investee companies and have not been reviewed by accountants during the same period.

6. For information on guarantees provided by investments accounted for using equity method, please refer to Note 8 for details.

(九) Property, plant and equipment

<u>2022</u>						
<u>Cost</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange difference</u>	<u>Ending balance</u>
Land	\$ 1,908,710	\$ 6,014	\$ -	\$ 205,129	\$ 12,594	\$ 2,132,447
Buildings	4,701,166	65,992	-	81,490	24,726	4,873,374
Machinery equipment- for company use	8,643,041	614,038	(78,079)	606,488	6,253	9,791,741
Machinery equipment- for leasing	-	-	-	18,150	-	18,150
Transportation equipment	67,957	9,437	(930)	3,143	46	79,653
Utility equipment	65,879	12,252	-	5,762	4	83,897
Other equipment	658,029	184,627	(43,452)	2,635	155	801,994
Projects uncomplete and equipment to be inspected	780,186	482,449	-	(717,668)	491	545,458
Subtotal	<u>\$ 16,824,968</u>	<u>\$ 1,374,809</u>	<u>(\$ 122,461)</u>	<u>\$ 205,129</u>	<u>\$ 44,269</u>	<u>\$ 18,326,714</u>
<u>Accumulated depreciation</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange difference</u>	<u>Ending balance</u>
Buildings	\$ 889,644	\$ 117,062	\$ -	\$ -	\$ 3,624	\$ 1,010,330
Machinery equipment- for company use	2,841,037	379,127	(77,265)	(200)	1,390	3,144,089
Machinery equipment- for leasing	-	-	-	200	-	200
Transportation equipment	29,068	6,682	(552)	-	10	35,208
Utility equipment	26,219	4,217	-	-	1	30,437
Other equipment	273,985	116,749	(43,452)	-	41	347,323
Subtotal	<u>\$ 4,059,953</u>	<u>\$ 623,837</u>	<u>(\$ 121,269)</u>	<u>\$ -</u>	<u>\$ 5,066</u>	<u>\$ 4,567,587</u>
Total	<u>\$ 12,765,015</u>					<u>\$ 13,759,127</u>

Cost	<u>2021</u>					Ending balance
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange difference</u>	
Land	\$ 1,854,281	\$ 860	(\$ 528)	\$ 57,431	(\$ 3,334)	\$ 1,908,710
Buildings	3,625,685	278,687	(2,106)	805,615	(6,715)	4,701,166
Machinery equipment	8,001,969	674,143	(206,686)	177,211	(3,596)	8,643,041
Transportation equipment	58,395	13,041	(3,451)	-	(28)	67,957
Utility equipment	64,176	1,705	-	-	(2)	65,879
Other equipment	544,696	184,452	(70,963)	-	(156)	658,029
Projects uncomplete and equipment to be inspected	<u>1,145,645</u>	<u>777,444</u>	<u>(158,899)</u>	<u>(983,001)</u>	<u>(1,003)</u>	<u>780,186</u>
Subtotal	<u>\$ 15,294,847</u>	<u>\$ 1,930,332</u>	<u>(\$ 442,633)</u>	<u>\$ 57,256</u>	<u>(\$ 14,834)</u>	<u>\$ 16,824,968</u>
Accumulated depreciation	<u>2021</u>					Ending balance
	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Net exchange difference</u>	
Buildings	\$ 788,987	\$ 102,868	(\$ 1,299)	\$ -	(\$ 912)	\$ 889,644
Machinery equipment	2,664,451	356,562	(178,676)	-	(1,300)	2,841,037
Transportation equipment	26,395	4,978	(2,292)	-	(13)	29,068
Utility equipment	22,634	3,586	-	-	(1)	26,219
Other equipment	<u>251,527</u>	<u>91,421</u>	<u>(68,871)</u>	<u>-</u>	<u>(92)</u>	<u>273,985</u>
Subtotal	<u>\$ 3,753,994</u>	<u>\$ 559,415</u>	<u>(\$ 251,138)</u>	<u>\$ -</u>	<u>(\$ 2,318)</u>	<u>\$ 4,059,953</u>
Total	<u>\$ 11,540,853</u>					<u>\$ 12,765,015</u>

1. Major components of the buildings of the Group, including structure and elevators, are depreciated for 50 years and 6 years, respectively.

2. For information about property, plant and equipment as collaterals, please refer to Note 8 in detail.

3. Capitalization amount of interest expense, and interest rate range for property, plant and equipment:

	<u>2022</u>	<u>2021</u>
Capitalization amount	\$ 17,720	\$ 20,994
Interest rate range	<u>1.40%</u>	<u>1.17%</u>

(+) Lease transaction as a Lessee

1. The subject assets of the Group lease include land, buildings, official vehicles, etc. The lease period usually ranges from 1 to 38 years. A lease contract is an individual negotiation and contains a variety of different terms and conditions. Except that the leased assets cannot be used as collateral for loans, there are no other restrictions.
2. The lease period of the photocopiers leased by the Group shall not exceed 12 months.
3. The book values of the right-of-use assets and the depreciation expenses recognized information are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 281,759	\$ 285,155
Buildings	18,299	18,558
Machinery equipment	16,598	-
Transportation equipment	134	375
	<u>\$ 316,790</u>	<u>\$ 304,088</u>

	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 8,038	\$ 7,905
Buildings	8,845	7,361
Machinery equipment	722	-
Transportation equipment	321	321
Other equipment	-	5
	<u>\$ 17,926</u>	<u>\$ 15,592</u>

The changes in right-of-use assets of the Group in the year 2022 and 2021 are as follows:

	<u>2022</u>		<u>Machinery</u>	<u>Transportation</u>	<u>Other</u>	
	<u>Land</u>	<u>Buildings</u>	<u>equipment</u>	<u>equipment</u>	<u>equipment</u>	<u>Total</u>
At January 1	\$285,155	\$ 18,558	\$ -	\$ 375	\$ -	\$304,088
Additions	-	8,654	17,320	-	-	25,974
Lease modification	4,023	-	-	-	-	4,023
Depreciation	(8,038)	(8,845)	(722)	(321)	-	(17,926)
Net exchange difference	619	(68)	-	80	-	631
At December 31	<u>\$281,759</u>	<u>\$ 18,299</u>	<u>\$16,598</u>	<u>\$ 134</u>	<u>\$ -</u>	<u>\$316,790</u>

	<u>2021</u>		<u>Transportation</u>	<u>Other</u>	
	<u>Land</u>	<u>Buildings</u>	<u>equipment</u>	<u>equipment</u>	<u>Total</u>
At January 1	\$ 294,353	\$ 21,991	\$ 696	\$ 5	\$ 317,045
Additions	-	4,009	-	-	4,009
Lease modification	-	57	-	-	57
Depreciation	(7,905	(7,361)	(321)	(5)	(15,592
Net exchange difference	(1,293	(138	-	-	(1,431
At December 31	<u>\$ 285,155</u>	<u>\$ 18,558</u>	<u>\$ 375</u>	<u>\$ -</u>	<u>\$ 304,088</u>

- The increase in right-of-use assets of the Group in the year 2022 and 2021 were \$25,974 thousand and \$4,009 thousand, respectively.
- According to the evaluation of the lease contract modifications, an increase in right-of-use assets and leasing liabilities in the year ended December 31, 2022 was \$4,023 thousand.
- Information on the income of lease contracts is as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit or loss</u>		
Lease liabilities 之 Interest expenses	\$ 4,214	\$ 4,208
Expenses for short-term lease contracts	4,668	10,302
Lease modification benefits	-	57

- Total lease cash outflows of the Group in 2022 and 2021 were \$25,170 thousand and \$27,985 thousand, respectively.

(+ -) Lease transaction as a Lessor

- The subject assets leased by the Group include buildings, machinery, and equipment. The lease contract period usually ranges from 3 to 20 years. The lease contract is based on a separate agreement and contains various terms and conditions.
- The benefits of the Group based on the business leases recognized in the year 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Rent income	\$ 14,099	\$ 21,911
Rent income recognized as variable lease payments	14,745	1,616

- The analysis of the expiry date of payment of the Group's operating lease is as follows:

<u>Duration</u>	<u>December 31,</u> <u>2022</u>	<u>Duration</u>	<u>December 31,</u> <u>2021</u>
Year 2022	\$ 14,099	Year 2021	\$ 21,911
Year 2023	11,495	Year 2022	14,421
Year 2024	12,015	Year 2023	11,963

Year 2025	6,209	Year 2024	6,005
Year 2026	203	Year 2025	50
Year 2027	50	Year 2026	50
After Year 2028	<u>450</u>	After Year 2027	<u>500</u>
Total	<u>\$ 44,521</u>	Total	<u>\$ 54,900</u>

(十二) Investment properties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Land</u>	<u>Land</u>
Cost	\$ 30,387	\$ 30,387
Accumulated loss	-	-
	<u>\$ 30,387</u>	<u>\$ 30,387</u>

1. Rent income and direct operational expenses of the investment properties:

	<u>2022</u>	<u>2021</u>
Direct operating expenses incurred by investment properties that do not generate Rent income in the current period	<u>\$ 225</u>	<u>\$ 186</u>

2. As of December 31, 2022 and 2021, the fair value of investment properties held by the Group was \$34,985 thousand and \$32,986 thousand, respectively, which belongs to Level 3 fair value measurements was adjusted by each individual factor based on the recent transaction price of comparable targets similar to the location of investment properties, and other considerations such as location, scale and purpose, etc.

(十三) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for equipment	\$ 52,750	\$ 36,464
Prepayment for Land	-	207,240
Prepayment for construction	14,388	8,771
Refundable deposits	62,116	3,617
Other non-current assets	<u>41,853</u>	<u>57,406</u>
	<u>\$ 171,107</u>	<u>\$ 313,498</u>

1. The Company acquired land number #1088, Guang zheng Section, Dali District, Taichung City, with a book value of \$88,624 thousand. The land was registered as Special Agriculture Zone, Grade D Construction Land and Homeland Conservation Zone on June 21, 2021. The transfer of ownership registration was completed on July 21, 2021.
2. For information on other non-current assets as collateral, please refer to Note 8 for details.

(十 四) Short-term borrowings

<u>Type of loan</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loans			
Secured loan	\$ 165,000	1.30%~2.09%	Investment, plant, buildings, machinery and equipment accounted for using equity method
Credit loan	<u>1,895,484</u>	1.11%~5.50%	-
	<u>\$ 2,060,484</u>		
<u>Type of loan</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loans			
Secured loan	\$ 132,200	0.90%~1.28%	Investment, plant, buildings, machinery and equipment accounted for using equity method
Credit loan	<u>1,188,139</u>	0.59%~3.05%	-
	<u>\$ 1,320,339</u>		

(十 五) Short-term notes and bills payable

<u>Bills finance company</u>	<u>December 31, 2022</u>	<u>Rate of issuance</u>	<u>Collaterals</u>
Land Bills	\$ 960,000	1.27%~1.38%	-
China Bills	<u>100,000</u>	1.35%	-
	<u>\$ 1,060,000</u>		
<u>Bills finance company</u>	<u>December 31, 2021</u>	<u>Rate of issuance</u>	<u>Collaterals</u>
Mega Bills	\$ 580,000	0.59%~0.77%	-
China Bills	<u>680,000</u>	0.50%~0.58%	-
	<u>\$ 1,260,000</u>		

(十 六) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary payable	\$ 121,638	\$ 96,366
Employees bonus and remuneration to directors payable	14,708	12,100
Equipment payment payable	208,354	208,380
Freight payable	98,452	239,709
Other	<u>306,326</u>	<u>307,672</u>
	<u>\$ 749,478</u>	<u>\$ 864,227</u>

(十七) Long-term loans

<u>Type of loan</u>	<u>Loan period and repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2022</u>
Syndicated secured loans-Land Bank	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.96%~2.01%	Land, plant, office buildings and machinery equipment	\$ 1,900,000
Secured loan	Sequentially due by June 2039 (repayment in installments).	0.10%~6.00%	Land, buildings, plant and machinery equipment	3,531,200
Credit loan	Sequentially due by October 2029 (repayment in installments).	0.10%~2.98%	-	
				<u>2,606,054</u>
				8,037,254
Less: Long-term loans due within one year or business cycle				(1,243,405)
Less: Government grant discount (classified as other non-current liabilities)				(<u>49,669</u>)
				<u>\$ 6,744,180</u>

<u>Type of loan</u>	<u>Loan period and repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2021</u>
Syndicated secured loans-Land Bank	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.79%	Land, plant, office buildings and machinery equipment	\$ 850,000
Secured loan	Sequentially due by June 2039 (repayment in installments).	0.00%~5.31%	Land, buildings, plant and machinery equipment	2,897,106
Credit loan	Sequentially due by October 2029 (repayment in installments).	0.00%~1.21%	-	
				<u>2,636,483</u>
				6,383,589
Less: Long-term loans due within one year or business cycle				(1,159,609)
Less: Government grant discount (classified as other non-current liabilities)				(<u>50,855</u>)
				<u>\$ 5,173,125</u>

- 1.(1) One March 24, 2021, the Company signed a Syndication Loan Contract with a group of banks formed by Taiwan Land Bank and E.Sun Bank, etc., with a total credit line of \$5,000,000 thousand, and Taiwan Land Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2022, the allocated amount was \$2,860,000 thousand, and the undrawn amount was

\$2,140,000 thousand.

In addition to other relevant regulations, the above-mentioned syndication loan contract includes the following restrictions: during the credit period, the following financial ratios shall be maintained, and be reexamined in the financial statements verified by the accountant every year:

- A. The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line and amount of the short-term commercial papers payable of the credit line)] shall keep at 100% (inclusive) or more.
 - B. The financial liabilities ratio [(Short-term loans + short-term commercial papers payable + one-year maturity amount of long-term loans + corporate bonds + long-term loan)/tangible assets net value] shall keep below 200% (inclusive).
 - C. Tangible assets (net value minus intangible assets): shall not less than \$4 billion.
- (2) During the credit period and the provisions of the syndication loan contract, the Company must follow specific financial ratios at the end of year, such as the requirements of current ratio, financial liability ratio and net value of tangible assets (net value deducts intangible assets). As of December 31, 2022, the Company has not violated the above restrictions.
2. On July 18 and December 13, 2019, the Group signed a loan contract at low-interest rate with First Bank to enrich mid-term working capital and for payments of machinery equipment purchases. The loan interest is calculated and paid monthly at the two-year fixed deposit flexible interest rate of Chunghwa Post Co., Ltd., with an annual interest rate of 0.1%, and will be adjusted when the pricing interest rate is changed.

(十八) Government grant

The Group obtained government preferential interest rate loans from Taiwan Business Bank, First Bank, and Taiwan Cooperative Bank of the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan”. As of December 31, 2022, the total amount of \$2,163,810 thousand was used for operating turnover, purchasing machinery and equipment, and building factories. The loan will be repaid from August 2021 to November 2029. Based on the market interest rate at the time of 1.40%~ 1.50%, the total fair value of the borrowing was estimated to be \$2,114,141 thousand, and the difference between the amount obtained and the fair value of the borrowing was \$49,669 thousand, regarded as a government low-interest grant and recognized as deferred income (listed in the table “Other non-current liabilities”). The deferred income that exceeds the paid-in period shall be transferred to other income in a straight-line method.

(十九) Pension

- 1.(1) The Company and its domestic subsidiaries have established Defined benefit retirement measures in accordance with the provisions of the “Labor Standards Act”, which are applicable to service years of all regular employees before the implementation of the “Labor Pension Regulations” on July 1, 2005, and the follow-up service years of employees who choose to comply the Labor Standards Act after the implementation of the “Labor Pension Regulations”. For employees who meet the retirement conditions, the pension payment is calculated based on the length of service and the average salary of the 6 months before retirement. Two bases are given for each year of service within 15 years (inclusive), and one base is given for each year of service over 15 years, but the cumulative maximum is limited to 45 bases. The Company allocates 2% of the total salary per month as the retirement fund, which is deposited in Bank of Taiwan by a special account named the Labor Pension Fund Supervisory Committee. In addition, the Company should calculate the amount of pensions for those who meet the statutory retirement conditions in the next year before the end of each year and make a provision for the difference before the end of March of the following year.

- (2) The amounts recognized in the balance sheets are as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
The present value of net defined benefit obligations	\$ 178,338	\$ 189,564
Fair value of project assets	(127,476)	(121,096)
Net defined benefit liabilities	<u>\$ 50,862</u>	<u>\$ 68,468</u>

- (3) Changes in the present value of defined benefit obligations are as follows:

	<u>Present value of</u> <u>defined benefit</u> <u>obligations</u>	<u>Fair value of project</u> <u>assets</u>	<u>Net defined benefit</u> <u>liabilities</u>
Year 2022			
Balance at January 1	\$ 189,564	(\$ 121,096)	\$ 68,468
Current service cost	819	-	819
Interest expenses (income)	1,245	(799)	446
	<u>191,628</u>	<u>(121,895)</u>	<u>69,733</u>
Remeasurement:			
Planned asset earning (excluding money in interest income or expenses)	-	(9,375)	(9,375)
Effects of changes in demographic assumptions	2	-	2
Effects of changes in financial assumptions	(6,274)	-	(6,274)
Effects of plan reduction	-	-	-
Adjustment by experience	(546)	-	(546)
	<u>(6,818)</u>	<u>(9,375)</u>	<u>(16,193)</u>
Provision to the pension fund	-	(2,678)	(2,678)
Pension payment	(6,472)	6,472	-
Balance at December 31	<u>\$ 178,338</u>	<u>(\$ 127,476)</u>	<u>\$ 50,862</u>

	<u>Present value of</u> <u>defined benefit</u> <u>obligations</u>	<u>Fair value of project</u> <u>assets</u>	<u>Net defined benefit</u> <u>liabilities</u>
Year 2021			
Balance at January 1	\$ 201,364	(\$ 117,687)	\$ 83,677
Current service cost	827	-	827
Interest expenses (income)	584	(345)	239
	<u>202,775</u>	<u>(118,032)</u>	<u>84,743</u>
Remeasurement:			
Planned asset earning (excluding money in interest income or expenses)	-	(1,806)	(1,806)
Effects of changes in demographic assumptions	407	-	407
Effects of changes in financial assumptions	(311)	-	(311)

Effects of plan reduction	(5,400)	-	(5,400)
Adjustment by experience	<u>1,012</u>	<u>-</u>	<u>1,012</u>
	(4,292)	(1,806)	(6,098)
Provision to the pension fund	-	(10,177)	(10,177)
Pension payment	(8,919)	8,919	-
Balance at December 31	<u>\$ 189,564</u>	<u>(\$ 121,096)</u>	<u>\$ 68,468</u>

- (4) The assets of the Company's defined benefit pension fund are items within the scope and amount of entrusted business projects stipulated by the Bank of Taiwan in accordance with Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The annual investment plan of the fund (that is, deposits in domestic and overseas financial institutions, investment in domestic and overseas listings, over-the-counter or private equity securities, investment in domestic and overseas real estate securitization products, etc.) to handle entrusted business, and related operation are supervised by the Pension Fund Supervision Committee. When using the fund, the minimum income of its annual final accounting distribution shall not be lower than the income calculated based on the two-year time deposit interest rate of local banks in Taiwan. If it is insufficient, it shall be supplemented by the State Treasury after approval by the competent authority. As of December 31, 2022 and 2021, the fair value of the fund's total assets, please refer to the report published by the Government on the annual use of labor pension funds.
- (5) The summary of the actuarial assumptions regarding pension payments is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>The Company</u>	<u>Subsidiaries</u>	<u>The Company</u>	<u>Subsidiaries</u>
Discount rate	1.20%	1.20%	0.70%	0.65%
Future salary increase rate	3.00%	2.00%	3.00%	2.00%

The hypothesis of the future mortality rate is based on the sixth empirical life chart of the Taiwan Life Insurance.

The analysis of the defined benefit plan affected by changes in the main actuarial assumptions adopted is as follows:

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>+ 0.25%</u>	<u>- 0.25%</u>	<u>+ 0.25%</u>	<u>- 0.25%</u>
December 31, 2022				
Impact on present value of defined benefit obligations	<u>(\$ 2,967)</u>	<u>\$ 3,066</u>	<u>\$ 3,007</u>	<u>(\$ 2,924)</u>
December 31, 2021				
Impact on present value of defined benefit obligations	<u>(\$ 3,482)</u>	<u>\$ 3,605</u>	<u>\$ 3,517</u>	<u>(\$ 3,415)</u>

The above sensitivity analysis is based on the analysis of the impact of a single hypothesis change while other assumptions remain unchanged. In practice, many changes in assumptions may be relevant. The sensitivity analysis system is consistent with the calculation method of the net pension liabilities of assets and liabilities.

(6) The Company's estimated payment for the retirement plan in the year 2023 is \$2,470 thousand.

(7) As of December 31, 2022, the weighted average duration of the retirement plan was 6 years. An analysis of the grant date of the retirement payment is as follows:

Less than 1 year	\$	24,944
1-2 years		13,769
2-5 years		61,916
More than 5 years		91,520
	\$	<u>192,149</u>

2.(1) Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution plan procedures in accordance with the "Labor Pension Act", which are applicable to domestic employees. The Company applies the labor retirement pension system stipulated by the "Labor Pension Act" for employees' choice, with a monthly contribution of 6% of the salary to the employee's personal account of The Bureau of Labor Insurance, and the payment depends on the employee's personal pension. The amount of the special account and accumulated income is received in the form of a monthly pension or a lump-sum pension.

(2) The regular employees of HOTATECH, INC. who have served for more than one year shall adopt a defined contribution plan. Employees can withdraw within 15% of the salary into an independent retirement fund account. Correspondently, the Company should withdraw a certain proportion of the employee's withdrawal amount and recognized it as the current expense.

(3) In accordance with China's Retirement and Pension System, the subsidiary company in China draws different proportions of retirement benefits each month according to the level of employees, and allocates them to the authority designated by the Government. After the fund is allocated, it will be handled by the Government labor department. No matter the fund is insufficient or excess, it is irrelevant to the subsidiary company.

(4) The Company recognized the cost of retirement payment according to the above-mentioned pension method are as follows:

	2022	2021
Pension cost	\$ <u>40,450</u>	\$ <u>36,319</u>

(二十) Share capital

1. As of December 31, 2022, Company's authorized capital was \$3,500,000 thousand and the paid-in capital was \$2,795,175 thousand, consisting of 279,518 thousand shares of common stock with a par value of \$10 (in dollars) per share. As of December 31, 2022, total outstanding shares were 279,518 thousand.

The Company's common stock shares outstanding (shares in thousands) at the beginning and at the end of the year are as follows:

	2022	2021
At January 1	279,518	254,518
Cash capital increase	—	25,000
At December 31	<u>279,518</u>	<u>279,518</u>

- The Company was approved by the resolution of the Board of Directors on September 10, 2020 to issue common stock of 25,000 thousand shares by cash capital increase, with a par value of \$10 and the issuance at premium of NT\$90 per share, that had been approved and effected by the competent authority on October 8, 2020. The record of the cash capital increase was February 1, 2021, and that the alteration registration had been made on February 26, 2021.

(二十一) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distribute cash dividends or capital surplus</u>		
Additional paid-in capital	\$ 3,804,533	\$ 3,804,533
<u>May be used to offset a deficit only</u>		
Changes in ownership interests in subsidiaries	5,667	5,667
Gain from asset disposition	309	309
<u>May not be used for any purpose</u>		
Cash capital increase to retain employee subscription	23,295	23,295

- According to the Company Act, except for offsetting a deficit from capital reserve of the income derived from the issuance of new shares at a premium or the income from endowments received by the Company, where the Company incurs no loss, it may distribute 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. The Securities and Exchange Act also provides that when capital reserve is capitalized, the combined amount of any portions capitalized in any one year may not exceed ten percent of paid-in capital. The Company shall not use the capital reserved to make good its capital loss, unless the surplus reserve is insufficient to make good such loss.
- An amount transferred to capital reserve from the income derived from the issuance of new shares at a premium in the preceding paragraph, may not be capitalized until the fiscal year after the competent authority for company registrations approves registration.

Changes in capital reserve are as follows:

	<u>2022</u>				
	<u>Additional paid-in capital</u>	<u>Stock option</u>	<u>Gain on disposal of asset</u>	<u>Changes in ownership interests in subsidiaries</u>	<u>Total</u>
Beginning balance/	<u>\$ 3,804,533</u>	<u>\$23,295</u>	<u>\$ 309</u>	<u>\$ 5,667</u>	<u>\$ 3,833,804</u>
Ending balance					
	<u>2021</u>				
	<u>Additional paid-in capital</u>	<u>Stock option</u>	<u>Gain on disposal of asset</u>	<u>Changes in ownership interests in subsidiaries</u>	<u>Total</u>
Beginning balance	\$ 1,877,208	\$23,295	\$ 309	\$ 5,667	\$ 1,906,479
Cash capital increase	2,000,000	-	-	-	2,000,000

Capital reserve to
distribute

cash dividends	(72,675)	-	-	-	(72,675)
Ending balance	<u>\$ 3,804,533</u>	<u>\$23,295</u>	<u>\$ 309</u>	<u>\$ 5,667</u>	<u>\$ 3,833,804</u>

3. By the resolution of the Board of Directors on March 17, 2021, and approval of the Shareholder's Meeting on July 20, 2021, the Company shall allocate cash dividends from capital reserve with a distribution of \$0.26 per share and the total dividends will be \$72,675 thousand.

(二十二) Retained earnings

1. Under the Company's Articles of Incorporation, when there is net profit for each fiscal year, except for income tax payment, the Company shall offset a deficit in priority, and set aside 10% of the balance as legal reserve. After setting aside in accordance with the laws and regulations or as reversal of special reserve, "preferred stock is distributed preferably from the current year shall distribute and accumulated unappropriated dividends from each previous fiscal year." When there is profit for each fiscal year, the Company shall set aside not less than 2% as employees' compensation and not more than 5% as bonus to directors; the rest plus unappropriated earnings of the last fiscal year shall be proposed the surplus earning distribution and presented to the shareholders' meeting for approval.
2. The Company dividend policy is as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ration for cash dividend shall not be lower than 20% of total distribution.
3. Legal reserve can only be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership; where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
- 4.(1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(2) At the time of initial application of IFRS, special reserve set aside, referred in Rule No. Financial-Supervisory-Securities-Issuing-1010012865 issued on April 6, 2012, shall be transferred into retained earnings from unrealized revaluation increments and cumulative translation adjustment under equity upon the acceptance of application of IFRS 1 exemption. However, the Group has negative number in net effect of retained earnings, special reserve is no need to be set aside.
5. The appropriations of earnings for 2022 and 2021 had been resolved by the Board of Directors on March 16, 2023 and the shareholders' meeting on June 8, 2022, respectively. Details are summarized as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Dividends per share (NT\$)</u>	<u>Amount</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$68,451		\$35,326	
Special reserve	34,805		12,118	
Cash dividends	447,228	\$ 1.60	381,541	\$ 1.37

6. Please refer to Note 6(29) for employees' compensation and directors' remuneration.

(二十三) Other equity

	<u>2022</u>			
	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) of investment in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) of investments in equity instruments measured at fair value through other comprehensive income	Total
At January 1	(\$ 45,136)	(\$ 9,046)	(\$ 6,172)	(\$ 60,354)
Evaluation adjusted				
–The Group	-	(31,814)	(6,929)	(38,743)
Evaluation adjusted				
transferred into retained earnings	-	-	(5,528)	(5,528)
–Associates	-	-	(28,511)	(28,511)
Evaluation adjusted				
transferred into retained earnings	-	-	-	-
Differences of foreign currency translation:				
–The Group	33,413	-	-	33,413
–Tax of the Group	2,110	-	-	2,110
–Associates	2,552	-	-	2,552
–Tax of associates	(97)	-	-	(97)
At December 31	<u>(\$ 7,158)</u>	<u>(\$ 40,860)</u>	<u>(\$ 47,140)</u>	<u>(\$ 95,158)</u>
	<u>2021</u>			
	Exchange differences arising on translation of foreign operations	Unrealized gain (loss) of investment in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) of investments in equity instruments measured at fair value through other comprehensive income	Total
At January 1	(\$ 42,421)	(\$ 10,560)	\$ 17,865	(\$ 35,116)
Evaluation adjusted				
–The Group	-	1,514	1,436	2,950
Evaluation adjusted				
transferred into				
Retained earnings	-	-	(3,360)	(3,360)
–Associates	-	-	(19,202)	(19,202)
Evaluation adjusted				
transferred into				
Retained earnings	-	-	(2,911)	(2,911)
Differences of foreign currency translation:				
–The Group	(8,129)	-	-	(8,129)
–Tax of the Group	1,361	-	-	1,361
–Associates	4,031	-	-	4,031
–Tax of associates	22	-	-	22
At December 31	<u>(\$ 45,136)</u>	<u>(\$ 9,046)</u>	<u>(\$ 6,172)</u>	<u>(\$ 60,354)</u>

(二十四) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	<u>\$ 7,339,165</u>	<u>\$ 6,686,364</u>

1. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions:

	2022					
	Transmission components for car					
	USA	China	Taiwan	Europe	Other region	Total
Revenue from segments	\$ 4,159,696	\$ 769,503	\$ 402,338	\$ 1,615,239	\$ 560,906	\$ 7,507,682
Revenue from internal segments transaction	(50,755)	(11,794)	(105,968)	—	—	(168,517)
Revenue from external customer contracts	<u>\$ 4,108,941</u>	<u>\$ 757,709</u>	<u>\$ 296,370</u>	<u>\$ 1,615,239</u>	<u>\$ 560,906</u>	<u>\$ 7,339,165</u>
Revenue recognition on time						
Revenue recognition at a point of time	<u>\$ 4,108,941</u>	<u>\$ 757,709</u>	<u>\$ 296,370</u>	<u>\$ 1,615,239</u>	<u>\$ 560,906</u>	<u>\$ 7,339,165</u>

(1)USA: Hota Industrial \$4,043,281 thousand and others \$65,660 thousand.

(2)China: Hota Industrial \$358,619 thousand and others \$399,090 thousand.

(3)Taiwan: Hota Industrial \$151,671 thousand and others \$144,699 thousand.

(4)Europe: Hota Industrial \$1,615,239 thousand.

(5)Others: Hota Industrial \$560,906 thousand.

	2021					
	Transmission components for car					
	USA	China	Taiwan	Europe	Other region	Total
Revenue from segments	\$ 4,028,709	\$ 822,225	\$ 418,351	\$ 708,974	\$ 900,824	\$ 6,879,083
Revenue from internal segments transaction	(27,920)	(94,658)	(70,141)	—	—	(192,719)
Revenue from external customer contracts	<u>\$ 4,000,789</u>	<u>\$ 727,567</u>	<u>\$ 348,210</u>	<u>\$ 708,974</u>	<u>\$ 900,824</u>	<u>\$ 6,686,364</u>
Revenue recognition time						
Revenue recognition at a point of time	\$ 4,000,789	\$ 727,567	\$ 348,210	\$ 708,974	\$ 900,824	\$ 6,686,364

(1)USA: Hota Industrial \$3,945,771 thousand and others \$55,018 thousand.

(2)China: Hota Industrial \$328,463 thousand and others \$399,104 thousand.

(3)Taiwan: Hota Industrial \$302,771 thousand and others \$45,439 thousand.

(4)Europe: Hota Industrial \$708,974 thousand

(5)Others: Hota Industrial \$900,824 thousand.

(二十五) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 2,448	\$ 860
Financial assets at amortized cost	17	22
Interest income		
Other interest income	<u>613</u>	<u>67</u>
	<u>\$ 3,078</u>	<u>\$ 949</u>

(二十六) Other income

	<u>2022</u>	<u>2021</u>
Rent income	\$ 28,844	\$ 23,527
Government grants income	10,487	33,923
Dividend revenue	5,341	4,365
Other income-other	<u>32,683</u>	<u>39,320</u>
	<u>\$ 77,355</u>	<u>\$ 101,135</u>

(二十七) Other gains and losses

	<u>2022</u>		<u>2021</u>
Gains on disposal of property, plant and equipment	\$ 6,823		\$ 5,630
Foreign exchange gains (losses)	269,464	(	64,914)
Loss on financial assets measure at fair value through profit or loss	(7,806)		-
Lease modification benefits	-		57
Miscellaneous expenses	(1,601)		-
	<u>\$ 266,880</u>		<u>(\$ 59,227)</u>

(二十八) Financial costs

	<u>2022</u>		<u>2021</u>
Interest expenses for bank borrowings	\$ 139,093		\$ 106,702
Less: Qualifying capitalization of interest	(17,720)	(	20,994)
Subtotal	121,373		85,708
Interest expenses — Lease liabilities	4,214		4,208
Finance costs	<u>\$ 125,587</u>		<u>\$ 89,916</u>

(二十九) Expenses by nature (including employee benefit expense)

	<u>2022</u>		<u>2021</u>
Employee benefit expense			
Salaries and wages	\$ 834,967		\$ 770,113
Labor and health insurance	89,682		81,368
Pension	32,470		34,926
Other personnel expenses	70,668		65,281
	<u>\$ 1,027,787</u>		<u>\$ 951,688</u>
Depreciation of property, plant and equipment	<u>\$ 623,837</u>		<u>\$ 559,415</u>
Depreciation of right-of-use assets	<u>\$ 17,926</u>		<u>\$ 15,592</u>
Amortization	<u>\$ 5,328</u>		<u>\$ 6,373</u>

1. The numbers of employees of the Group for 2022 and 2021 were 1,347 and 1,324, respectively, and among them, directors who were not concurrent employees, were 10 and 10, respectively.
2. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall

not be less than 2% for employees' compensation and shall not be higher than 5% for directors' remuneration.

3. For the years ended December 31, 2022 and 2021, employee's compensation and directors' remuneration were accrued at as follows:

	<u>2022</u>	<u>2021</u>
Employees' compensation	\$ 16,800	\$ 8,500
Directors' remuneration	<u>4,500</u>	<u>3,600</u>
	<u>\$ 21,300</u>	<u>\$ 12,100</u>

The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2.14% and 0.57% of distributable profit of current year for the year ended December 31, 2021.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(三十一) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ 139,104	\$ 95,085
Surtax on undistributed retained earnings	-	1,530
Tax effect of investment tax credits	-(	26,749)
Prior year income tax underestimation (overestimation)	(<u>11,860</u>)	(<u>365</u>)
Total current tax	<u>127,244</u>	<u>69,501</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>12,181</u>	(<u>6,344</u>)
Total deferred tax	<u>12,181</u>	(<u>6,344</u>)
Income tax expense	<u>\$ 139,425</u>	<u>\$ 63,157</u>

(2) Income tax related to components of other comprehensive income:

	<u>2022</u>	<u>2021</u>
Exchange difference on translation of foreign operations	\$ 2,013	\$ 1,383
Remeasurements of defined benefit obligation	(<u>2,923</u>)	(<u>1,147</u>)
	<u>(\$ 910)</u>	<u>\$ 236</u>

2. Reconciliation between income tax expense and accounting profit:

	<u>2022</u>		<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 150,364		\$ 86,971
Tax effect disallowed by tax regulation	925		1,767
Exempt from income tax pursuant to the Income Tax Act	(4)		3
Tax effect of investment tax credits	-		(26,749)
Prior year income tax underestimation (overestimation)	(11,860)		(365)
Surtax on undistributed retained earnings	-		1,530
Income tax expense	<u>\$ 139,425</u>		<u>\$ 63,157</u>

3. Amounts of deferred tax assets and liabilities as a result of temporary differences and tax are as follows:

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized</u> <u>in profit or loss</u>	<u>Recognized in other</u> <u>comprehensive income</u>	<u>December</u> <u>31</u>
Deferred income tax assets:				
— Temporary differences:				
Losses on foreign long-term equity investments	\$ 12,741	(\$ 4)	\$ -	\$ 12,737
Allowance for inventory valuation and obsolescence losses	20,178	3,134	-	23,312
Unappropriated accrued pension	29	(29)	-	-
Allowance for uncollectible accounts	3,296	1,200	-	4,496
Remeasurements of defined benefit obligation	6,197	-	(3,238)	2,959
Differences between the accounting treatment and tax regulations in right-of-use assets	3,010	(3,010)	-	-
Unrealized foreign exchange loss	11,478	(11,478)	-	-
Loss tax credit	446	(446)	-	-
Others	4,784	8	-	4,792
Subtotal	<u>\$ 62,159</u>	<u>(\$10,625)</u>	<u>(\$ 3,238)</u>	<u>\$ 48,296</u>
— Deferred income tax liabilities:				
Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$ 42,593)	\$ 5,339	\$ -	(\$ 37,254)
Exchange difference on translation of foreign operations	(2,656)	-	2,014	(642)
Land value increment tax	(1,417)	-	-	(1,417)
Unrealized exchange benefits	-	(7,341)	-	(7,341)
Subtotal	<u>(\$ 46,666)</u>	<u>(\$ 2,002)</u>	<u>\$ 2,014</u>	<u>(\$ 46,654)</u>
Total		<u>(\$12,627)</u>	<u>(\$ 1,224)</u>	

<u>2021</u>			
January 1	<u>Recognized</u> in profit	<u>Recognized in</u> other	December 31

		<u>or loss</u>	<u>comprehensive income</u>	
Deferred income tax assets:				
— Temporary differences:				
Losses on foreign long-term equity investments	\$ 14,869	(\$ 2,128)	\$ -	\$ 12,741
Allowance for inventory valuation and obsolescence losses	17,510	2,668	-	20,178
Unappropriated accrued pension	2,969	(2,940)	-	29
Allowance for uncollectible accounts	3,253	43	-	3,296
Remeasurements of defined benefit obligation	7,417	-	(1,220)	6,197
Differences between the accounting treatment and tax regulations in right-of-use assets	3,365	(355)	-	3,010
Unrealized foreign exchange loss	8,503	2,975	-	11,478
Loss tax credit	187	259	-	446
Others	5,270	(486)	-	4,784
Subtotal	<u>\$ 63,343</u>	<u>\$ 36</u>	<u>(\$ 1,220)</u>	<u>\$ 62,159</u>
— Deferred income tax liabilities:				
Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$ 48,901)	\$ 6,308	\$ -	(\$ 42,593)
Exchange difference on translation of foreign operations	(4,039)	-	1,383	(2,656)
Land value increment tax	(1,417)	-	-	(1,417)
Subtotal	<u>(\$ 54,357)</u>	<u>\$ 6,308</u>	<u>\$ 1,383</u>	<u>(\$ 46,666)</u>
Total		<u>\$ 6,344</u>	<u>\$ 163</u>	

4. Deductible temporary difference of unrecognized deferred tax assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary difference	\$ <u>6,802</u>	\$ <u>6,784</u>

5. The Company and its subsidiaries', HOWIN and HOZUAN, profit-seeking enterprise annual income tax return up to 2019 and 2020, respectively, had been examined by the tax authorities.

(三十一) Earnings per share

	<u>2022</u>		
		Weighted average number of ordinary shares outstanding	Earnings per share
	<u>Amount after tax (in thousands)</u>		<u>(NTD)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 623,958</u>	<u>279,518</u>	<u>\$ 2.23</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	623,958	279,518	
Assumed conversion of all dilutive			

Employees' compensation	<u>-</u>	<u>247</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 623,958</u>	<u>279,765</u>	<u>\$ 2.23</u>

2021

	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (in thousands)</u>	<u>Earnings per share (NTD)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 341,823</u>	<u>277,326</u>	<u>\$ 1.23</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	341,823	277,326	
Assumed conversion of all dilutive			
Employees' compensation	<u>-</u>	<u>106</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 341,823</u>	<u>277,432</u>	<u>\$ 1.23</u>

1. Weighted average number of ordinary shares of outstanding for 2021 was calculated considering weighted average number of shares for cash capital increase.
2. The Company presumes that the employees' compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have dilutive effect.

(三十二) Supplemental cash flow information

1. Investing activities with partial cash payments:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 1,579,938	\$ 1,987,588
Add: Opening balance of payable equipment	208,380	91,933
Ending balance of prepayment for equipment	52,750	36,464
Ending balance of prepayment for construction	14,388	8,771
Acquisition of other	(207,240)	119,422

noncurrent assets-Land		
Transferred to investment		
properties	-	30,387
Less: Ending balance of		
payable equipment	(208,354)	(208,380)
Opening balance of		
prepayment for equipment	(36,464)	(450,755)
Opening balance of		
prepayment for construction	(8,771)	(33,176)
Cash paid during the year	<u>\$ 1,394,627</u>	<u>\$ 1,582,254</u>

(三十三) Changes in liabilities from financing activities

	<u>Short-term</u>	<u>Short-term</u>	<u>Lease</u>	<u>Long-term</u>	<u>Dividend</u>	<u>Liabilities from</u>
	<u>borrowings</u>	<u>commercial</u>	<u>liabilities</u>	<u>loans</u>	<u>payable</u>	<u>financing</u>
		<u>papers payable</u>				<u>activities-gross</u>
January 1, 2022	\$1,320,339	\$1,260,000	\$ 266,637	\$6,383,589	\$ -	\$ 9,230,565
Changes in cash flow	732,184	(200,000)	(16,288)	1,631,082	(381,541)	1,765,437
from financing						
activities						
Additions	-	-	-	-	381,541	381,541
Changes in other	-	-	30,994	-	-	30,994
non-cash activities						
Impact of changes in	7,961	-	-	22,583	-	30,544
foreign exchange rate						
December 31, 2022	<u>\$2,060,484</u>	<u>\$1,060,000</u>	<u>\$ 281,343</u>	<u>\$8,037,254</u>	<u>\$ -</u>	<u>\$11,439,081</u>

	<u>Short-term</u>	<u>Short-term</u>	<u>Lease</u>	<u>Long-term</u>	<u>Dividend</u>	<u>Liabilities</u>
	<u>borrowings</u>	<u>commercial</u>	<u>liabilities</u>	<u>loans</u>	<u>payable</u>	<u>from financing</u>
		<u>papers payable</u>				<u>activities-gross</u>
January 1, 2021	\$2,088,753	\$ 600,000	\$ 275,839	\$7,245,965	\$ -	\$10,210,557
Changes in cash flow	(762,651)	660,000	(13,468)	(853,659)	(307,469)	(1,277,247)
from financing activities						
Additions	-	-	-	-	307,469	307,469
Changes in other	-	-	4,277	-	-	4,277
non-cash activities						
Impact of changes in	(5,763)	-	(11)	(8,717)	-	(14,491)
foreign exchange rate						
December 31, 2021	<u>\$1,320,339</u>	<u>\$1,260,000</u>	<u>\$ 266,637</u>	<u>\$6,383,589</u>	<u>\$ -</u>	<u>\$ 9,230,565</u>

七、Related-party transactions

(一) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Group</u>
KAO FONG MACHINERY CO., LTD. (KAOFONG)	Associate
GLOBAL TECHNOS LTD. (GLOBAL)	Other related-party
Shen, Guo-Rong	Other related-party (Chairman of the Company)
Main Drive Corporation	Other related-party
Taipei Gaohe Chungui Charity Foundation	Chairman of the Foundation is same as that of the Company.

(二) Significant related party transactions

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sale of goods:		
Associates	\$ 1,629	\$ 2,611
Other related parties	<u>5,258</u>	<u>286</u>
	<u>\$ 6,887</u>	<u>\$ 2,897</u>

The Group sells to the aforementioned associates with standard sales price and conditions and payment term 30~60 days. Payment term for general customers is 90~180 days.

2. Purchase

	<u>2022</u>	<u>2021</u>
Purchase of goods:		
Associates	<u>\$ 88</u>	<u>\$ -</u>

Purchasing by the Group is conducted under standard pricing and conditions, and payment will be done within 30~120 days after the acceptance of goods.

3. Manufacturing overhead-processing cost

	<u>2022</u>	<u>2021</u>
Associates	<u>\$ 83,767</u>	<u>\$ 91,011</u>

Processing cost for the Group is conducted under standard processing price and conditions, and payment will be done within 60~120 days after the acceptance of goods.

4. Rent income

	<u>2022</u>	<u>2021</u>
Associates	<u>\$ 600</u>	<u>\$ 600</u>

The rental calculation of the aforesaid leasing subject is determined by reference of the neighborhood rental and the leasing surface. The rental shall be paid every 30 days.

5. Rental expense

	<u>2022</u>	<u>2021</u>
Associates	<u>\$ 600</u>	<u>\$ -</u>

The rental calculation of the aforesaid leasing subject is determined by reference of the neighborhood rental and the leasing surface. The rental shall be paid by monthly.

6. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Associates	\$ -	\$ 792
Other related parties	<u>5</u>	<u>56</u>
Subtotal	<u>\$ 5</u>	<u>\$ 848</u>

7. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other payables:		
Associates	\$ 7,248	\$ 7,727
Other related parties	175	121
Total	<u>\$ 7,423</u>	<u>\$ 7,848</u>

8. Other non-current assets

Subsidiaries of the Company hold agricultural land that land alternation is not yet accomplished, hence it is temporarily registered under the Chairman's name of the parent Company. It is agreed that the Chairman cannot exercise any action to that agricultural land.

9. Property transaction

(1) Purchase of property

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment		
Associates	\$ 444	\$ 8,566
Other related parties	333	2,125
	<u>\$ 777</u>	<u>\$ 10,691</u>

(2) Purchase of property - outstanding balance (classified as other payables)

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Purchase of property, plant and equipment		
Associates	\$ -	\$ 417
Other related parties	333	-
	<u>\$ 333</u>	<u>\$ 417</u>

(三) Key management compensation

	<u>2022</u>	<u>2021</u>
Other short-term employee benefits	\$ 39,206	\$ 36,072
Post-employment benefits	1,214	1,191
Total	<u>\$ 40,420</u>	<u>\$ 37,263</u>

八、Assets pledged as collaterals

	<u>Book value</u>		
<u>Pledged assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Financial assets at amortized cost	\$ 47,253	\$ 33,872	Project guarantee, L/C
Investments accounted for using equity method	83,234	89,601	Short-term borrowings
Property, plant and equipment	7,913,166	8,708,110	Long-term loans, short-term borrowings
Other non-current assets	1,515	1,515	Secured loans and long-term loans
	<u>\$ 8,045,168</u>	<u>\$ 8,833,098</u>	

九、Commitments and contingencies

1. As of December 31, 2022 and 2021, letter of credit issued but not used for purchasing of raw material and machinery equipment was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw material and property, plant and equipment	<u>\$ 149,408</u>	<u>\$ 259,579</u>

2. Capital expenditure on contract signed but not occurred yet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw material and property, plant and equipment	<u>\$ 524,871</u>	<u>\$ 1,310,218</u>

3. The subsidiary of the Company, HOWON POWERTRAIN CO., LTD., signed development incentive agreement with Jiangsu Province Huai'an Economic Development Zone Administration, and obtained land use right subsidy of NT\$38,369,000 (RMB 7,919,000), 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 information is as follows:

	<u>2022</u>	<u>2021</u>
Other income	<u>\$ 699</u>	<u>\$ 689</u>

十、Losses due to major disasters

None.

十一、Significant subsequent events

None.

十二、Others

(一) Capital management

The Group's managing 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 ratio of liabilities to assets of the Group for the years ended December 31, 2022 and 2021, is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 13,950,651	\$ 12,359,491
Total assets	22,926,311	21,103,619
Ratio of liabilities to assets	60.85%	58.57%

(二) Financial instruments

1. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 10,562	\$ -
Financial assets measured at fair value through other comprehensive income		
Investments for using designated equity instruments	\$ 148,775	\$ 186,312
Accounts receivable	830,834	734,618
Financial assets at amortized cost/ loans and accounts receivable		
Cash and cash equivalents	1,072,452	947,910
Financial assets at amortized cost	204,880	33,904
Notes receivable	968	50,462
Accounts receivable	2,118,687	1,906,395
Other receivables	197,690	121,713
Refundable deposits	62,116	3,617
	<u>\$ 4,636,402</u>	<u>\$ 3,984,931</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 2,060,484	\$ 1,320,339
Short-term notes and bills payable	1,060,000	1,260,000
Notes payable	524,871	921,500
Accounts payable	899,474	1,104,467
Other payables	749,478	864,227

Long-term loans (including the expiration within a year or business cycle)

	8,037,254	6,383,589
	\$ 13,331,561	\$ 11,854,122
Lease liabilities	\$ 281,343	\$ 266,637

2. Financial risk management policies

- (1) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.
- (2) Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as foreign exchange risk, interest rate risk, credit risk and derivative and non-derivative financial instruments, and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

Foreign exchange risk

- A. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, JPY and RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- B. The Group's businesses involve some non-functional currency operations (the Company and part of subsidiaries' functional currency: TWD, part of subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(BLANK BELOW)

(Foreign currency: functional currency)	<u>December 31, 2022</u>			Book value	<u>Sensitivity analysis</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>(NTD)</u>		<u>Degree of variation</u>	<u>Effect of profit or loss</u>	<u>Effect of other comprehensive income</u>
	<u>(in thousands)</u>						
	<u>Financial assets</u>						
<u>Monetary items</u>							
USD:TWD	\$ 91,152	30.71	\$ 2,799,278	1%	\$ 27,993	\$ -	
JPY:TWD	99,504	0.23	22,886	1%	229	-	
EUR:TWD	9,521	32.72	11,527	1%	3,115	-	
CNY:TWD	14,681	4.41	64,743	1%	647	-	
THB:TWD	90,773	0.89	80,788	1%	808	-	
USD:CNY	4	6.96	123	1%	1	-	
<u>Investments accounted for using equity method</u>							
USD:TWD	\$ 70	30.71	2,142	1%	\$ -	\$ 21	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
JPY:TWD	\$ 28,908	0.23	\$ 6,649	1%	\$ 66	\$ -	
USD:CNY	18,894	6.96	79,925	1%	5,799	-	
USD:TWD	867	30.71	6,626	1%	266	-	
EUR:TWD	513	32.72	16,785	1%	168	-	
FRANC:TWD	191	33.21	6,343	1%	63	-	
CNY:TWD	156	4.41	688	1%	7	-	

(Foreign currency: functional currency)	<u>December 31, 2021</u>		Book value (NTD)	<u>Sensitivity analysis</u>			
	<u>Foreign</u>	<u>Exchange</u>		<u>Degree of</u>	<u>Effect of profit</u>	<u>Effect of other</u>	
	<u>currency</u> <u>(in thousands)</u>	<u>rate</u>		<u>variation</u>	<u>or loss</u>	<u>comprehensive income</u>	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:TWD	\$ 82,656	27.68	\$ 2,287,918	1%	\$ 22,879	\$ -	
JPY:TWD	71,941	0.24	17,266	1%	173	-	
EUR:TWD	5,431	31.32	170,099	1%	1,701	-	
CNY:TWD	24,972	4.34	108,378	1%	1,084	-	
THB:TWD	35,131	0.83	29,159	1%	292	-	
<u>Investments accounted for using equity method</u>							
USD:TWD	\$ 160	27.68	4,429	1%	\$ -	\$ 44	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
JPY:TWD	\$ 386,464	0.24	\$ 92,751	1%	\$ 928	\$ -	
USD:CNY	19,662	6.37	543,572	1%	5,436	-	
USD:TWD	1,063	27.68	29,424	1%	294	-	
EUR:TWD	651	31.32	20,389	1%	204	-	
CHF:TWD	5,686	30.18	171,603	1%	1,716	-	

- C. Total exchange income (including amounts realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 202 and 2021, amounted to net profits of \$269,464 thousand and net loss of \$64,914 thousand, respectively.

Price risk

- A. The Group is exposed to price risk as the Group holds equity securities financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In order to manage price risk of the investments in equity instruments, the Group diversifies its portfolio and executing based on the limits set by the Group.
- B. The Group's primary investments are in equity instruments and open-end funds issued by domestic companies, which equity instruments price will be affected due to uncertainties of future value on the investment targets. If that equity instruments price increase or decrease by 5% with all other factors remain constant, an increase in gains or losses on equity instruments measured at fair value through profit or loss before income tax was \$528 thousand and \$0, respectively; an increase in gains or losses on equity instruments at fair value through other comprehensive income was \$7,439 thousand and \$9,316 thousand, respectively, for the years ended December 31, 2022 and 2021.

Cash flow and fair value interest risk

- A. The Group's interest risk primarily comes from long-term loans at floating rates, that the Group is exposed to cash flow interest rate risk. As of December 31, 2022 and 2021, the Group's loans at floating interest rates are denominated in New Taiwan Dollars, US Dollars, Japanese Yen and CNY Dollars.
- B. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax in 2022 and 2021 decreased or increased \$17,968 thousand and \$13,987 thousand, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.
- C. When the loans denominated in CNY Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax in 2022 and 2021 decreased or increased \$1,718 thousand and 1,657 thousand, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.
- D. When the loans denominated in US Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax in 2022 and 2021 decreased or increased \$280 thousand and \$315 thousand, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.
- B. For banks and financial institutions, only well-known rated parties with optimal credit rating in domestic or overseas are acceptable by the Group, and the Group cooperates with couple of banks and financial institutions in the meantime, instead of only a single party to reduce credit risk. According to the internal credit policy, each operating entity of the Group shall conduct an analysis of management and credit risk before negotiating payment and shipping terms and conditions with every new customer. The internal risk control is to evaluate the credit quality of

customers by considering their financial status, past experience and other factors. Financial services or terms and conditions of loans provided by banks and institutions are according to the Group internal delegation of authority, that shall be executed by approval of the Board of Directors or delegated supervisors. Any paper that can only be signed with correspondent banks and financial institutions, shall be inspected by specialists of legal department or legal consultants to avoid legal risk. The Group periodically reviews the correspondent banks and financial institutions about their credit ratings and service conditions, quality and contacts, and according to operating conditions, the Group periodically monitors to maintain reasonable credit limits and utilization of credit limits that ensures to satisfy the operational needs.

- C. The Group adopts the following assumptions under IFRS 9, if there has been a significant increase in credit risk on that instrument since initial recognition:
- (A) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (B) Bond investments traded at Taipei Exchange (“TPEX”) is recognized as low credit risk when that instruments in balance sheet are as investment grade rated by any of external rating agencies.
- D. When independent credit rating set for an investment target is downgraded by two levels, the Group’s judgement on that investment has been a significant in credit risk.
- E. When the default rate of an investment target is more than 21.89%, the Group’s judgement on that investment has been a significant in credit risk.
- F. The default occurs when the contract payments are past due over 360 days.
- G. The Group classifies customers’ accounts receivable in accordance with customer rating types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- H. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (B) The disappearance of an active market for that financial asset because of financial difficulties;
 - (C) Default or delinquency in interest or principal repayments;
 - (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- I. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.
- J. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

December 31, 2022

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Less: Loss allowance</u>
Not overdue	0.02%	\$ 2,403,433	\$ 415
Within 120 days	0.53%	387,399	2,040
121-240 days	0.56%	140,475	781
241-360 days	21.89%	27,460	6,010
Over 361 days	100%	<u>49,878</u>	<u>49,878</u>

Total	\$ 3,008,645	\$ 59,124
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December 31, 2021

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Less: Loss allowance</u>
Not overdue	0.02%	\$ 2,291,574	\$ 416
Within 120 days	1.84%	277,969	5,114
121-240 days	12.67%	41,341	5,237
241-360 days	26.34%	55,521	14,625
Over 361 days	100%	27,316	27,316
Total		<u>\$ 2,693,721</u>	<u>\$ 52,708</u>

K. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 52,708	\$ 49,700
Provision for impairment loss	15,020	4,072
Effect of foreign exchange rate	(8,604)	(1,064)
At December 31	<u>\$ 59,124</u>	<u>\$ 52,708</u>

(3) Liquidity risk

- A. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group will not violate the relevant limits or terms of loans. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- B. The loan limits of \$2,771,798 thousand have not been utilized.
- C. The Group's non-derivative financial liabilities in the following table are categorized based on the maturity date and are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022

	Less than <u>3 months</u>	Between 3 months and 1 year	1 to 2 years	2 to 5 years	More than 5 years	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$1,506,770	\$ 559,311	\$ -	\$ -	\$ -	\$2,066,081
Short-term notes and bills payable	1,060,000	-	-	-	-	1,060,000
Notes payable	286,363	238,508	-	-	-	524,871
Accounts payable	848,212	41,572	9,690	-	-	899,474
Other payables	679,620	69,858	-	-	-	749,478
Lease liabilities	1,756	21,515	247,845	11,344	-	282,460
Other current liabilities	8,414	56,420	-	-	-	64,834
Long-term loans (including maturity date within one year or business cycle)	235,013	1,633,574	2,689,176	2,759,691	1,740,928	9,058,382
December 31, 2021						

	Less than 3 months	Between 3 months and 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-derivative financial liabilities	3 months					
Short-term borrowings	\$ 879,958	\$ 448,050	\$ -	\$ -	\$ -	\$ 1,328,008
Short-term notes and bills payable	1,260,000	-	-	-	-	1,260,000
Notes payable	565,120	356,380	-	-	-	921,500
Accounts payable	1,092,509	11,958	-	-	-	1,104,467
Other payables	816,998	47,229	-	-	-	864,227
Lease liabilities	4,486	13,457	16,652	30,631	275,310	340,536
Other current liabilities	6,980	11,768	-	-	-	18,748
Long-term loans (including maturity date within one year or business cycle)	214,014	1,025,890	1,565,805	2,247,735	1,755,166	6,808,610

(三) Fair value information

1. Valuation technique is adopted for financial and non-financial instruments fair value measurements; each degree is defined as follows:

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities on the date of measurement. Active market indicates a market in which transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. All of the Group's investments fair value in listed stocks and active market derivatives are included.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data. The Group's investments in inactive market derivatives are included.

2. The Group's financial instruments which are not at fair value measurements are including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, and other payables, book value of them are reasonable approximation of fair value.
3. The Group's financial and non-financial instruments measured at fair value are basically categorized in nature, characteristic and risk, and degree of assets and liabilities. The information is as follows:

- (1) Category of assets and liabilities by nature:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets				
measured at fair value				
through profit or loss				
-Equity securities	\$ 10,562	\$ -	\$ -	\$ 10,562
Financial assets				
measured at fair value				
through other				
comprehensive income				
-Equity securities	\$ 83,735	\$ -	\$ 65,040	\$ 148,775
-Accounts receivable	-	830,834	-	830,834
Total	<u>\$ 94,297</u>	<u>\$ 830,834</u>	<u>\$ 65,040</u>	<u>\$ 990,171</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets				
measured at fair value				
through other				
comprehensive income				
-Equity securities	\$ 126,799	\$ -	\$ 59,513	\$ 186,312
-Accounts receivable	-	734,618	-	734,618
Total	<u>\$ 126,799</u>	<u>\$ 734,618</u>	<u>\$ 59,513</u>	<u>\$ 920,930</u>

(2) Valuation techniques and assumptions of fair value measurement adopted by the Group are as follows:

Fair value inputs (i.e. as Level 1) adopted quoted market prices by the Group, which instruments are listed by characteristic as follows:

	<u>Publicly traded stocks</u>	<u>Open-end funds</u>
	Closing price at	Net value at valuation date
Quoted market prices	valuation date	

4. Transferring between Level 1 and Level 2 did not happen in the years of 2022 and 2021.

5. Movements of Level 3 in the following table is shown for the years of 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
Beginning balance	\$	59,513	\$	64,416
Purchase in the current year		4,519		5,401
Profit (loss) recognized in other comprehensive income		1,008	(	10,304)
Ending balance	<u>\$</u>	<u>65,040</u>	<u>\$</u>	<u>59,513</u>

6. Sensitivity analysis of quantitative data and movements of material unobservable inputs for Level 3 fair value measurements, which valuation models are as follows:

	<u>December 31,</u>		<u>Material</u>	<u>Range</u>	<u>Relation of</u>
	<u>2022</u>	<u>Valuation</u>	<u>unobservable</u>	<u>(Weighted</u>	<u>inputs and fair</u>
	<u>Fair value</u>	<u>technique</u>	<u>inputs</u>	<u>average)</u>	<u>value</u>
Non-derivative equity instruments:					
Equity securities	\$ 26,181	Comparable to listed companies pursuant to the Company Act	Price-book ratio Liquidity risk premium discount	1.09~1.91 30%	The higher the multiplier, the higher the fair value
Stocks from venture capital companies	38,859	Net assets valuation method	Not applicable	-	Not applicable

	<u>December 31,</u> <u>2021</u> <u>Fair value</u>	<u>Valuation</u> <u>technique</u>	<u>Material</u> <u>unobservable</u> <u>inputs</u>	<u>Range</u> <u>(Weighted</u> <u>average)</u>	<u>Relation of</u> <u>inputs and fair</u> <u>value</u>
Non-derivative equity instruments:					
Equity securities	\$ 25,516	Comparable to listed companies pursuant to the Company Act	Price-book ratio Liquidity risk premium discount	1.29~2.37 30%	The higher the multiplier, the higher the fair value
Stocks from venture capital companies	33,997	Net assets valuation method	Not applicable	-	Not applicable

7. Valuation model and parameter is adopted by the Group with careful evaluation; however, a result may be varied when using different valuation model or parameter. For financial assets and financial liabilities categorized in Level 3, if valuation parameter changes, the effects of the current year profit or loss and other comprehensive income are as follows:

		<u>December 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
<u>Inputs</u>	<u>Changes</u>				
Financial assets					
Equity instruments	Market price price-book ratio	±1%	\$ -	\$ -	\$ 650 (\$ 650)
		<u>December 31, 2021</u>		<u>December 31, 2021</u>	
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Favorable change</u>	<u>Unfavorable change</u>	<u>Favorable change</u>	<u>Unfavorable change</u>
<u>Inputs</u>	<u>Changes</u>				
Financial assets					
Equity instruments	Market price price-book ratio	±1%	\$ -	\$ -	\$ 595 (\$ 595)

十三、Other disclosure

(一) Significant transactions information

- Loans to others: Please refer to Table 1.
- Provision of endorsement and guarantees to others: Please refer to Table 2.
- Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to Table 3.
- Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.

8. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods (transactions amount reaching NT\$10 million or more): Please refer to Table 4.

(二) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 5.

(三) Information on investments in Mainland China

1. Basic information: Please refer to Table 6.
2. Significant transactions, pricing, payment terms and unrealized gains or losses, either directly or indirectly through a third area, with investee companies in the Mainland Area: Purchase amounts of the year 2022 between the Company and each investee in Mainland China are not reaching 10% of the Company total purchase amounts. Purchasing is conducted to general purchase price and is paid in advance.

(四) Major shareholders information

Major shareholders information: There is no information that any of shareholders holds 5% or more of common stock.

十四、Segments information

(一) General information

The Group operates business only in a single industry. The Group allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable segment.

(二) Measurement of segment information

The Group evaluates performance of the operating segments based on a measure of profit before tax.

(三) Information about segment income, assets and liabilities

1. The segment information provided to the Chief Operating Decision-Maker for the 2022 reportable segments is as follows:

	<u>2022</u>			
	<u>HOTA</u>	<u>Others</u>	<u>Write-off</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$6,729,716	\$ 609,449	\$ -	\$7,339,165
Inter-segment revenue	<u>168,517</u>	<u>-</u>	<u>(168,517)</u>	<u>-</u>
Revenue-gross	<u>\$6,898,233</u>	<u>\$ 609,449</u>	<u>(\$ 168,517)</u>	<u>\$7,339,165</u>
Segment profit before tax	<u>\$ 763,082</u>	<u>\$ 20,210</u>	<u>(\$ 14,794)</u>	<u>\$ 768,498</u>
Segment profit before tax including:				
Interest expense	\$ 109,622	\$ 15,965	\$ -	\$ 125,587
Depreciation and amortization	615,076	32,015	-	647,091
Income tax expense	139,124	301	-	139,425

2. The segment information provided to the Chief Operating Decision-Maker for the 2021 reportable segments is as follows:

	<u>2021</u> <u>HOTA</u>	<u>Others</u>	<u>Write-off</u>	<u>Total</u>
Revenue				
Revenue from external customers	\$6,202,850	\$ 483,514	\$ -	\$6,686,364
Inter-segment revenue	<u>27,920</u>	<u>164,799</u>	<u>(192,719)</u>	<u>-</u>
Revenue-gross	<u>\$6,230,770</u>	<u>\$ 648,313</u>	<u>(\$ 192,719)</u>	<u>\$6,686,364</u>
Segment profit before tax	<u>\$ 401,001</u>	<u>(\$ 10,647)</u>	<u>\$ 13,446</u>	<u>\$ 403,800</u>
Segment profit before tax including:				
Interest expense	\$ 75,806	\$ 14,110	\$ -	\$ 89,916
Depreciation and amortization	542,501	38,879	-	581,380
Income tax expense	59,178	3,979	-	63,157

3. The Group's reportable operating segment classifies business organization by category of operating companies.
4. The Group major revenues are mainly from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool.
5. The Group did not amortize income tax expense to the reportable operating segment. The reported amount is consistent with that in statements for the Chief Operating Decision-Maker.
6. Accounting policies for the operating segment is same as a summary of significant accounting policies mentioned in Note 4. Income for the Company operating segment is measured based on income before tax.

(四) Reconciliation for segment income (loss), assets and liabilities

Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

1. Reconciliations of total segments revenues and total continuing operations revenues for the year are as follows:

	<u>2022</u>	<u>2021</u>
Operating segment revenue	\$ 7,507,682	\$ 6,879,083
Profit from continuing operations	<u>(168,517)</u>	<u>(192,719)</u>
Total of consolidated operating revenue	<u>\$ 7,339,165</u>	<u>\$ 6,686,364</u>

2. Reconciliations of segments net income before tax and continuing operations profit before tax for the year are as follows:

	<u>2022</u>	<u>2021</u>
Operating segment profit before tax	\$ 783,292	\$ 390,354
Loss from continuing operations	<u>(14,794)</u>	<u>13,446</u>
	<u>\$ 768,498</u>	<u>\$ 403,800</u>

3. The amounts provided to the Chief Operating Decision-Maker with respect to total assets

are measured in a manner consistent with that of the financial statements.

4. The amounts provided to the Chief Operating Decision-Maker with respect to total liabilities are measured in a manner consistent with that of the financial statements.

(五) Information on products and services

Revenue from external customers arising mainly from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool, and etc. Details of revenue is as follows:

	<u>2022</u>		<u>2021</u>
Sales of goods	<u>\$</u>	<u>7,339,165</u>	<u>\$</u> <u>6,686,364</u>

(六) Geographical information

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

	<u>2022</u>		<u>2021</u>	
<u>Country</u>	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
USA	\$ 4,108,941	\$ 300,069	\$ 4,000,789	\$ 272,444
China	757,709	872,951	727,567	779,406
Taiwan	296,370	13,078,161	348,210	12,336,182
Europe	1,615,239	-	708,974	-
Others	<u>560,906</u>	<u>-</u>	<u>900,824</u>	<u>-</u>
Total	<u>\$ 7,339,165</u>	<u>\$14,251,181</u>	<u>\$ 6,686,364</u>	<u>\$13,388,032</u>

The Company geographical revenues are calculated in countries. Non-current assets refer to property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, but not including investments in equity instruments, financial instruments, and deferred tax assets.

(七) Major customer information

The Group has customers with which the sales revenues accounts for more than 10% of the operating revenue in the statement of comprehensive income for the years ended December 31, 2022 and 2021. The major customer information is as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>Segment</u>	<u>Amount</u>	<u>Segment</u>
Company A	\$ 1,580,092	HOTA	\$ 2,019,195	HOTA
Company B	<u>2,643,914</u>	HOTA	<u>2,054,464</u>	HOTA
	<u>\$ 4,224,006</u>		<u>\$ 4,073,659</u>	

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Hota Industrial Manufacturing Company Limited and Subsidiaries
Provision of endorsement and guarantees to others
For the year ended December 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year	Balance at December 31, 2022	Actual amount drawn down	Interes t rate range	Nature of loan (Note 4)	Amount t of transac tions with the borrow er	Reason for short- term financing	Allowance for doubtful accounts	Collaterals		Limit on loans granted to a single party		Ceiling on total loans granted	
													Item	Value	(Note 3)	(Note 2)	Note	
0	The Company	YUNG-CHIN DEVELOP FORGING CO., LTD.	Other receivables	N	\$ 12,000	\$ 12,000	\$ 9,600	2.75	2	\$ -	Purchase of equipment	\$ -	None	\$ -	\$ 1,769,933	\$ 3,539,866	6	
0	The Company	Chienli Industrial Co., Ltd.	Other receivables	N	6,000	6,000	6,000	2.75	2	-	Purchase of equipment	-	None	-	1,769,933	3,539,866	6	
0	The Company	Howon (Whaian) Automobile Components Company Limited	Other receivables	Y	122,640	122,640	-	2.50	2	-	Purchase of equipment	-	None	-	1,769,933	3,539,866	6	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The investees are numbered in order starting from '1'.

Note 2: The ceiling on total loans to others is the Company net assets, the limit is 40% of the Company net assets.

Note 3: Limit on loans granted for a single party is 20% of net assets of the Company.

Note 4: (1) For business transactions.

(2) For short-term financing.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

Note 6: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Provision of endorsements and guarantees to others
For the year ended December 31, 2022

Table 2

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

No. (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down (Note 6)	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor (%)	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements /	Provision of endorsements /	Provision of endorsements /	Note
		Company name	Relationship with the endorser/ guarantor (Note 2)								guarantees by parent company to subsidiary (Note 7)	guarantees by subsidiary to parent company (Note 7)	guarantees to the party in Mainland China (Note 7)	
0	The Company	Howon (Whaia) Automobile Components Company Limited	(2)	\$ 1,769,933	\$ 337,260	\$ 337,260	\$ 324,751	\$ -	3.81%	\$ 3,539,866	Y	N	N	
0	The Company	Howon (Whaia) Automobile Components Company Limited	(2)	1,769,933	214,620	214,620	185,186	-	2.43%	3,539,866	Y	N	N	
0	The Company	Hefu Construction Co., Ltd.	(6)	1,769,933	156,000	156,000	48,500	-	1.76%	3,539,866	N	N	N	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The investees are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) A company with which the Company conducts business.
- (2) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
- (3) A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.
- (4) Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.
- (5) A company fulfilling 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) A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The guarantees and endorsements for a single party should not exceed 20% of the Company's net assets, The ceiling on total amount of endorsements/guarantees provided to others by the Company is 40% of the Company's net assets.

Note 4: The maximum balance of the endorsement guarantee for others in the current year.

Note 5: The ending balances of Howon automobile components and Wuxi Hota's endorsement guarantee are USD 11,000 thousand and USD 7,000 thousand, respectively, which are calculated based on the original exchange rate.

Note 6: Should enter the actual amount spent by the endorsed company within the range of the endorsed guarantee balance.

Note 7: 'Y' is required only for those who belong to the parent company of the listed counter to endorse the subsidiary company, those who belong to the subsidiary company to endorse the parent company of the listed counter, and those who belong to the Mainland Area endorsement.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
December 31, 2022

Table 3

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

Securities held by	s of marketable secu	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Note
					Number of shares	Book value	Shareholding %	Fair value	
HOTATECH	Stock	Alphabet Inc.(GOOG)	-	Financial assets mandatorily measured at fair value through profit or loss-current	1,000	\$ 3,597	-	\$ 2,725	
HOTATECH	Stock	Lucid Group Inc.(LCID)	-	Financial assets mandatorily measured at fair value through profit or loss-current	400	429	-	84	
HOTATECH	Stock	Rivian Automative,Inc./DE (RIVN)	-	Financial assets mandatorily measured at fair value through profit or loss-current	1,000	2,467	-	566	
HOTATECH	Stock	Tesla,Inc.(TSLA)		Financial assets mandatorily measured at fair value through profit or loss-current	1,000	15,008		7,187	
						21,501		\$ 10,562	
				Evaluation adjusted		(10,939)			
						\$ 10,562			
The Company	Stock	World Known MFG(Cayman) Limited	-	Financial assets measured at fair value through other comprehensive income-current	474,000	4,740	-	16,945	
The Company	Stock	Hwa Fong Rubber Ind. Co., Ltd. (2109)	Chairman of the Company is chairman o	Financial assets measured at fair value through other comprehensive income-current	1,714,679	46,566	-	24,863	
Howin Precision Company Limit	Stock	Hwa Fong Rubber Ind. Co., Ltd. (2109)	Chairman of the Company is chairman o	Financial assets measured at fair value through other comprehensive income-current	428,669	11,810	-	6,216	
Hozuan Investment Company Li	Stock	Hwa Fong Rubber Ind. Co., Ltd. (2109)	Chairman of the Company is chairman o	Financial assets measured at fair value through other comprehensive income-current	2,462,854	58,130	-	35,711	
						121,246		\$ 83,735	
				Evaluation adjusted		(37,511)			
						\$ 83,735			
The Company	Stock	BMB Venture Capital Investment Corporation	Chairman of the Company is chairman o	Financial assets measured at fair value through other comprehensive income-non-current	3,128,588	\$ 31,286	9.08	\$ 17,130	
The Company	Stock	World Known MFG Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income-non-current	689,189	7,832	4.05	9,702	
The Company	Stock	Main Drive Corporation	Chairman of the Company is a director o	Financial assets measured at fair value through other comprehensive income-non-current	4,325,000	45,375	8.65	21,729	
The Company	Ball card	Taichung International Entertainment Corporation	Chairman of the Company is a director o	Financial assets measured at fair value through other comprehensive income-non-current	-	3,010	0.09	11,550	
Howin Precision Company Limit	Stock	Hoga Industry Co., Ltd.	Chairman of the Company is a director o	Financial assets measured at fair value through other comprehensive income-non-current	508	5,200	7.93	4,929	
						92,703		\$ 65,040	
				Evaluation adjusted		(27,663)			
						\$ 65,040			

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

Note 4:The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed upon agreement. The remarks 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 Limited and Subsidiaries
Significant inter-company transactions during the reporting period (transactions amount reaching NT\$10 million or more)
For the year ended December 31, 2022

Table 4

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

No.	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenue or total assets (Note 3)	Note
				General ledger account	Amount	Transaction terms		
0	The Company	HOTA TECH, INC.	1	Sales revenue	\$ 50,755	According to the general price and conditions, the payment will be made within 180 days after shipment.	0.69%	Note 4 、 5
0	The Company	HOTA TECH, INC.	1	Accounts receivable	23,468	Payment will be made within 90 days after shipment.	0.10%	Note 4 、 5
0	The Company	HOTA TECH, INC.	1	Commission expense	28,085	Based on the sales of specific models shipped by the parent company to specific customers,	0.38%	Note 4 、 5
0	The Company	Howon (Whaia) Automobile Components Company Limited	1	Sales revenue	14,365	According to the general price and conditions, the payment will be made within 30~180 days	0.20%	Note 4 、 5
0	The Company	Howon (Whaia) Automobile Components Company Limited	1	Accounts receivable	19,320	Payment will be made within 30~180 days after acceptance of each different model.	0.08%	Note 4 、 5
0	The Company	Howin Precision Company Limited	1	Processing cost	86,074	According to the general processing price and conditions, payment will be made within 120 days after acceptance.	1.17%	Note 4 、 5
0	The Company	Howin Precision Company Limited	1	Other payables	42,479	Payment will be made within 120 days after acceptance.	0.19%	Note 4 、 5

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: (The same transaction between the parent company and its subsidiaries or subsidiaries, there is no need to disclose repeatedly. If the parent company has disclosed the transaction from the parent company to the subsidiary, the subsidiary is no need to disclose it again; a subsidiary has disclosed the transaction to another subsidiary, which is no need to disclose it again):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Transaction amounts account for at least NT\$10 million.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Names, locations and other information of investee companies (not including investees in Mainland China)
For the year ended December 31, 2022

Table 5

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

Name of Investor	Name of Investee (Note 1, 2)	Location	Main business activities	Initial investment amount		Shares held at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Note
				of December 31, 2021	of December 31, 2022	Number of shares	Ratio (%)	Book value	(Note 2)	(Note 2)	
The Company	Hozuan Investment Company Limited	Taiwan	Investment activities	\$ 167,190	\$ 167,190	25,221,000	100.00	\$ 261,624	\$ 7,966	\$ 7,966	Subsidiary of the Company (Note 4)
The Company	CAPTAIN HOLDING CO., LTD.	Seychelles	Holding company	326,073	326,073	10,602,990	100.00	196,281	4,712	4,712	Subsidiary of the Company (Note 4)
The Company	HOTATECH, INC.	USA	Selling various precision gears and shafts of automobiles	173,638	173,638	530,200	100.00	252,350 (	1,923) (	1,923)	Subsidiary of the Company (Note 4)
The 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	87,566	10,891	6,649	Subsidiary of the Company (Note 4)
The Company	Juda Intelligent Technology	Taiwan	Manufacturing and sell various of precision gears for automobiles and motorbikes	5,000	5,000	500,000	83.33	4,997	13	13	Subsidiary of the Company (Note 4)
The 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	66,871 (	1,750) (	875)	Subsidiary of the Company (Note 4)
The Company	Helun Precision Co., Ltd.	Taiwan	Manufacturing and sell various of precision gears for automobiles and motorbikes	5,000	-	500,000	100.00	4,993 (	7) (	7)	Subsidiary of the Company (Note 4)
The Company	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	11,400	11,400	838,878	0.78	14,132	47,519	369	Invested company evaluated by equity method (Note 3)
The 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	-	-	-	Invested company evaluated by equity method (Note 1)
The Company	TAKAWA SEIKI, INC.	USA	Machinery traders and agents	3,607	3,607	120,000	40.00	2,142 (	6,950) (	2,780)	Invested company evaluated by equity method
The Company	LING WEI CO., LTD.	Taiwan	Hardware wholesale industry	36,338	36,338	3,633,750	45.00	44,919	6,589	2,966	Invested company evaluated by equity method
Hozuan Investment Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	187,141	187,141	16,501,826	15.28	236,812	47,519	7,260	Invested company evaluated by equity method (Note 2, 3)
Howin Precision Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	677	677	49,471	0.05	833	47,519	22	Invested company evaluated by equity method (Note 2, 3)

Note 1: The book value of the long-term investment is the balance after the impairment loss of RMB 3,736 thousand has been recognized.

Note 2: Recognize investment gains and losses through each subsidiary.

Note 3: KAO FONG MACHINERY CO., LTD. is jointly held by Hota Industrial Manufacturing CO., LTD. And Howin Precision Company Limited and Hozuan investment Company Limited, its total shareholding ratio is 16.11%, and the total investment profits recognized by the Group was 7,651 thousand.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Information on investments in Mainland China
For the year ended December 31, 2022

Table 6

(In Thousands of New Taiwan Dollars)
(Unless otherwise specified)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Note
Wuxi Hota Precision Gear Company Limited	Manufacturing and sell various of precision gears for automobiles and motorbikes	\$ -	2	\$ 178,118	\$ -	\$ -	\$ 178,118	\$ -	-	\$ -	\$ -	\$ -	Note 2, 4, 5
Howon (Whaian) Automobile Components Company Limited	Manufacturing and selling of automobile gearboxes and gears	509,786	2	325,526	-	-	325,526	3,252	100.00	3,252	199,684	-	Note 3, 4, 6, 7

Note 1: Investment methods are classified into the following three categories:

- (1) Directly invest in a company in Mainland China.
- (2) Investments through a holding company registered in a third region.
- (3) Others.

Note 2: Wuxi Hota Precision gear Company Limited the paid-in capital is USD 6,000 thousand, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 is USD 5,800 thousand.

Note 3: Howon (Whaian) Automobile Components Company Limited the paid-in capital is USD 10,600 thousand, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022 is USD 10,600 thousand.

Note 4: Paid-in capital was converted at the exchange rate of NTD 30.71 : USD 1 prevailing on December 31, 2022.

Note 5: The subsidiary, Wuxi Hota Precision Gear Company Limited, was liquidated by the Group in June 2022.

Note 6: Howon (Whaian) Automobile Components Company Limited absorbed and merged Wuxi Hota Precision Gear Company Limited in July 2022. The company combination has been approved by the Investment Commission, Ministry of Economic Affairs ("MOEAIC").

Note 7: The above investments accounted for using equity method were recognized as the share of the second-tier subsidiaries from their self-prepared financial statements and not audited by accountants during the same period.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment	Ceiling on investments in Mainland China imposed by the
The Company	\$ 503,644	\$ 503,644	\$ 5,309,800

Note 1: 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.

Note 2: Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 is USD 16,400 thousand.