

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

Independent Auditors' Report

To: Hota Industrial Manufacturing Company

Opinion

We have audited accompanying parent company only financial statements of Hota Industrial Manufacturing Company, which comprise the parent company only balance sheets as of December 31, 2023 and 2022, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Cut-off of revenue from exporting sales

The operating revenue of Hota Industrial Manufacturing Company for the year ended December 31, 2023 amounted to NT\$6,096,868 thousand. Hota Industrial Manufacturing Company and subsidiaries primarily acquire operating revenue from the manufacturing and trading of related products for vehicle transmission parts. Sales contracts include various terms and conditions. However, the Hota Industrial Manufacturing Company and subsidiaries recognize sales revenue immediately after shipment, and reverse the sales revenue at the end of each period for the portion that ownership of the products has not been transferred to the buyer due to the failure of fulfilling the agreed trading conditions which resulting in control of the product not yet being transferred to the buyer. As the data collection for the portion that does not meet the sales revenue recognition conditions involves a high degree of manual judgment and operation, we have included the cut-off of revenue from exporting sales as a key audit matter.

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

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

Evaluation of allowances for inventory valuation and obsolescence losses

The net inventories of Hota Industrial Manufacturing Company and subsidiaries as of December 31, 2023 amounted to NT\$2,603,518 thousand, accounting for 13% of total assets. Hota Industrial Manufacturing Company and subsidiaries are primarily engaged in the manufacturing and trading of related products for vehicle transmission parts. Due to the fierce competition in the automotive transmission parts market, there is a higher risk of inventory valuation and obsolescence losses. Therefore, allowances for inventory valuation and obsolescence losses are provided based on the level of destocking for inventories with ages exceeding a specific period, and inventories individually identified obsolescent. As the determination of obsolescent inventories and the net realizable value adopted in valuation usually involve subjective judgement, there is high estimate uncertainty. In consideration of inventories and allowances for inventory valuation and obsolescence losses being material to the financial statements, we identified this is a key audit matter.

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

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

Other Matter—the Financial statements of the Period Prior Have Been Audited by Other Auditors

The parent company only financial statements of Hota Industrial Manufacturing Company for the year ended December 31, 2022 were audited by other auditors, on which they have issued an unqualified opinion with other matter paragraph on March 16, 2023.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Statements

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

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

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

Auditors' Responsibilities for the Audit of the Parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2023 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.

Ernst & Young

Audit and attestation to the financial reports of public companies have been approved by the competent authorities

Reference Number of the Audit and Attestation: No. Financial-Supervisory-Securities-Auditing -1030025503

No. Financial-Supervisory-Securities-Auditing -1080326041

Huang, Zi-Ping

CPA :

Huang, Yu-Ting

March 14, 2024

Hota Industrial Manufacturing Company Limited

Parent company only balance sheets

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Assets			December 31, 2023		December 31, 2022	
Code	Accounting items	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4 and 6.1	\$644,495	3	\$993,490	4
1120	Financial assets at fair value through other comprehensive income	4 and 6.2	47,785	-	41,808	-
1136	Financial assets at amortized cost—current	4 and 6.3	7,991	-	155,930	1
1150	Notes receivables, net	4	10,104	-	-	-
1170	Accounts receivables, net	4 and 6.4	2,497,323	13	2,919,013	14
1180	Accounts receivables from related parties, net	4 and 7	36,505	-	55,538	-
1200	Other receivables		84,507	-	173,888	1
130x	Inventories	4 and 6.5	2,603,518	13	2,955,201	14
1470	Other current assets		75,352	-	163,811	1
11xx	Total current assets		6,007,580	29	7,458,679	35
	Non-current assets					
	Financial assets at fair value through other comprehensive income					
1517	—non-current	4 and 6.2	134,882	1	60,111	-
1550	Investments accounted for using equity method	4 and 6.6	1,097,613	6	935,875	5
1600	Property, plant and equipment	4, 6.4 and 8	12,752,638	63	12,434,251	59
1755	Right-of-use assets	4 and 6.18	243,185	1	251,211	1
1760	Investment properties, net	4 and 6.8	30,387	-	30,387	-
1780	Intangible assets	4	7,578	-	7,402	-
1840	Deferred tax assets	4 and 6.22	44,723	-	45,427	-
1900	Other non-current assets	8	93,017	-	55,394	-
15xx	Total non-current assets		14,404,023	71	13,820,058	65
1xxx	Total assets		\$20,411,603	100	\$21,278,737	100

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited

Parent company only balance sheets (cont.)

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Liabilities and equity			December 31, 2023		December 31, 2022	
Code	Accounting items	Note	Amount	%	Amount	%
	Current liabilities					
2100	Short-term borrowings	4 and 6.9	\$1,876,337	9	\$1,747,359	8
2110	Short-term notes payables	4 and 6.10	1,000,000	5	1,060,000	5
2150	Notes payables		423,851	2	524,871	2
2170	Accounts payables	4 and 7	471,915	2	819,121	4
2200	Other payables	6.11 and 7	483,005	2	691,583	3
2230	Current income tax liabilities	4 and 6.22	97,392	-	137,139	1
2280	Lease liabilities—current	4 and 6.18	11,740	-	16,401	-
2322	Long-term borrowings, current portion	4 and 6.12	1,051,669	5	604,845	3
2399	Other current liabilities		11,048	-	7,056	-
21xx	Total current liabilities		5,426,957	25	5,608,375	26
	Non-current liabilities					
2540	Long-term borrowings	4 and 6.12	5,891,818	29	6,415,691	30
2570	Deferred tax liabilities	4 and 6.22	22,280	-	46,654	-
2580	Lease liabilities—non-current	4 and 6.18	239,775	1	241,620	1
2600	Other non-current liabilities	4 and 6.14	107,300	1	116,731	1
25xx	Total non-current liabilities		6,261,173	31	6,820,696	32
2xxx	Total liabilities		11,688,130	56	12,429,071	58
	Equity					
31xx	Capital stock					
3100	Common stock	6.15	2,795,175	14	2,795,175	13
3200	Capital surplus	6.15	3,833,804	19	3,833,804	18
3300	Retained earnings	6.15				
3310	Legal reserve		789,267	4	724,977	4
3320	Special reserve		95,158	-	60,354	-
3350	Unappropriated earnings		1,322,676	7	1,530,514	7
	Total retained earnings		2,207,101	11	2,315,845	11
3400	Other equity		(112,607)	-	(95,158)	-
3xxx	Total equity		8,723,473	44	8,849,666	42
3x2x	Total liabilities and equity		\$20,411,603	100	\$21,278,737	100

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited
Parent company only statements of comprehensive income
For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Code	Accounting items	Note	For the year ended December 31, 2023		For the year ended December 31, 2022	
			Amount	%	Amount	%
4000	Operating revenue	4 and 6.16	\$6,096,868	100	\$6,898,232	100
5000	Operating costs	6.5 and 20	(5,045,906)	(83)	(5,313,060)	(77)
5900	Gross profit		1,050,962	17	1,585,172	23
5910	Unrealized gains (losses) on sales		1,338	-	(42)	-
5950	Gross profit, net		1,052,300	17	1,585,130	23
6000	Operating expenses					
6100	Sales and marketing expenses	6.19	(406,533)	(7)	(828,890)	(12)
6200	General and administrative expenses	6.19	(85,832)	(1)	(94,797)	(1)
6300	Research and development expenses	6.19	(99,048)	(2)	(105,803)	(2)
6450	Expected credit impairment losses	4 and 6.17	(24,000)	-	(15,148)	-
	Total operating expenses		(615,413)	(10)	(1,044,638)	(15)
6900	Income from operations		436,887	7	540,492	8
7000	Non-operating income and expenses					
7100	Interest income	4 and 6.20	6,976	-	2,345	-
7010	Other income	4 and 6.20	46,824	-	36,332	1
7020	Other gains and losses	6.20	20,643	-	276,445	4
7050	Finance costs	6.20	(161,605)	(3)	(109,622)	(2)
7070	Share of profit or loss of subsidiaries, associates and joint ventures income accounted for using equity method	6.6	11,244	-	17,090	-
	Total non-operating income and expenses		(75,918)	(3)	222,590	3
7900	Income before income tax		360,969	4	763,082	11
7950	Income tax expense	4 and 6.22	(33,758)	- 1	(139,124)	(2)
8200	Net income		327,211	3	623,958	9
8300	Other comprehensive income					
8310	Items that will not be reclassified subsequently to profit or loss					
8311	Remeasurement of defined benefit plans	4 and 6.21	\$6,187	-	\$14,992	-
8316	Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	4 and 6.21	3,338	-	(529)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method—items that will not be reclassified subsequently to profit or loss	4 and 6.21	(2,906)	-	(33,485)	-
8349	Income tax related to items that will not be reclassified subsequently	4 and 6.21	(1,237)	-	(2,998)	-
8360	Items that may be reclassified subsequently to profit or loss			-		-
8361	Exchange differences arising on translation of foreign operations	4 and 6.21	(3,131)	-	33,413	-
8367	Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	4 and 6.21	(4,126)	-	(31,814)	-
8380	Share of other comprehensive income of associates accounted for using equity method-items that may be reclassified subsequently to profit or loss	4 and 6.21	(995)	-	2,552	-
8399	Income tax related to items that will be reclassified subsequently	6.22	(3,306)	-	2,013	-
	Other comprehensive income(net of tax)		(6,176)	-	(15,856)	-
8500	Total comprehensive income		\$321,035	3	\$608,102	9
	Earnings per share(NT\$)	4 and 6.23				
9750	Basic earnings per share		\$1.17		\$2.23	
9850	Diluted earnings per share		\$1.17		\$2.23	

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited
Parent company only statements of changes in equity
For the years ended December 31, 2023 and 2022

		Capital stock	Capital surplus	Retained earnings			Other equity		Total equity
				Legal reserve	Special reserve	Unappropriated earnings	Exchange differences arising on translation of foreign operations	Uncanceled valuation gains or losses on financial assets at fair value through other comprehensive income	
Code		3100	3200	3310	3320	3350	3410	3420	31XX
A1	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
D1	Net income, 2022					623,958			623,958
D3	Other comprehensive income, 2022					13,420	37,978	(67,254)	(15,856)
D5	Total comprehensive income	-	-	-	-	637,378	37,978	(67,254)	608,102
	Appropriation and distribution of earnings in 2021								
B1	Legal reserve			35,326		(35,326)			-
B3	Special reserve				12,118	(12,118)			-
B5	Cash dividends of common stock				四及六.22	(381,541)			(381,541)
Q1	Disposals of equity instruments at fair value through other comprehensive income					5,528		(5,528)	-
Z1	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
A1	Balance at January 1, 2023	\$2,795,175	\$3,833,804	\$724,977	\$60,354	\$1,530,514	\$(7,158)	\$(88,000)	\$8,849,666
D1	Net income (loss), 2023					327,211			327,211
D3	Other comprehensive income, 2023					4,158	(7,432)	(2,902)	(6,176)
D5	Total comprehensive income	-	-	-	-	331,369	(7,432)	(2,902)	321,035
	Appropriation and distribution of earnings in 2022								
B1	Legal reserve			64,290		(64,290)			-
B3	Special reserve				34,804	(34,804)			-
B5	Cash dividends of common stock					(447,228)			(447,228)
Q1	Disposals of equity instruments at fair value through other comprehensive income					7,115		(7,115)	-
Z1	Balance at December 31, 2023	\$2,795,175	\$3,833,804	\$789,267	\$95,158	\$1,322,676	\$(14,590)	\$(98,017)	\$8,723,473

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited
Parent company only statements of cash flows
For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2023	For the year ended December 31, 2022
	Cash flows from operating activities :		
A10000	Income before tax	\$360,969	\$763,082
A20000	Adjustments for :		
A20010	Items of income and expenses :		
A20100	Depreciation expenses	656,505	610,225
A20200	Amortization expenses	4,560	4,851
A20300	Expected credit impairment losses	24,000	15,148
A20900	Interest expenses	161,605	109,622
A21200	Interest income	(6,976)	(2,345)
A22400	Share of profit or loss of subsidiaries, associates and joint ventures acco	(11,244)	(17,090)
A22500	Losses (gains) on disposals of property, plant and equipment	1,737	(7,954)
A23900	Unrealized (realized) gains on sales	(1,338)	42
A24100	Unrealized exchange gains	-	(67,654)
A30000	Net changes in operating assets and liabilities :		
A31130	Decrease (increase) in notes receivables	(11,390)	25,442
A31150	Decrease (increase) in accounts receivables	401,954	(511,146)
A31180	Decrease (increase) in other receivables	85,927	(105,713)
A31200	Decrease (increase) in inventories	242,007	(273,285)
A31240	Decrease in other current assets	88,436	60,879
B06700	Increase in other non-current assets	(8,000)	-
A32130	Decrease in notes payables	(101,020)	(396,629)
A32150	Decrease in accounts payables	(338,837)	(139,874)
A32180	Decrease in other payables	(216,059)	(145,137)
A32230	Increase (decrease) in other current liabilities	10,306	(8,723)
C04300	Increase in other non-current liabilities	5,097	3,585
A33000	Cash generated from (used in) operations	1,348,239	(82,674)
A33100	Interests received	7,440	1,872
A33300	Interests paid	(160,086)	(108,535)
A33500	Income tax paid	(100,963)	(54,833)
AAAA	Net cash flows generated from (used in) operating activities	1,094,630	(244,170)

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited
Parent company only statements of cash flows (cont.)
For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

Code	Item	For the year ended December 31, 2023	For the year ended December 31, 2022
	Cash flows from investing activities :		
B00020	Disposals of financial assets at fair value through other comprehensive income	1,390	34,605
B00040	Acquisitions of financial assets at amortized cost	(3,780)	(153,809)
B00010	Acquisitions of financial assets at fair value through other comprehensive income	(74,771)	(4,519)
B00050	Disposals of financial assets at amortized cost	151,719	-
B01800	Acquisitions of investments accounted for using equity method	(33,515)	(5,000)
B02700	Acquisitions of property, plant and equipment	(835,535)	(1,234,042)
B02800	Disposals of property, plant and equipment	2,027	8,332
B03700	Increase in guaranteed deposits paid	(10,000)	(999)
B04500	Acquisitions of intangible assets	(4,736)	(6,111)
B05350	Acquisitions of right-of-use assets	(5,122)	-
B07100	Increase in prepayments for equipment	(252,394)	-
B07600	Dividends received	6,069	2,441
BBBB	Net cash flows used in investing activities	<u>(1,058,648)</u>	<u>(1,359,102)</u>
	Cash flows from financing activities :		
C00100	Increase in short-term borrowings	8,308,491	794,943
C00200	Decrease in short-term borrowings	(8,180,506)	-
C00500	Decrease in short-term notes payables	(60,000)	(200,000)
C01600	Increase in long-term borrowings	6,857,970	3,512,287
C01700	Repayments of long-term borrowings	(6,948,547)	(1,967,998)
C03100	Decrease in guaranteed deposits received	(1,000)	-
C04020	Repayments of principal of lease liabilities	(6,506)	(10,360)
C04500	Cash dividends paid	<u>(447,228)</u>	<u>(381,541)</u>
CCCC	Net cash flows generated from (used in) financing activities	<u>(477,326)</u>	<u>1,747,331</u>
DDDD	Effects of changes in exchange rate on cash	<u>92,349</u>	<u>72,809</u>
EEEE	Net increase (decrease) in cash and cash equivalents	(348,995)	216,868
E00100	Cash and cash equivalents at the beginning of period	<u>993,490</u>	<u>776,622</u>
E00200	Cash and cash equivalents at the end of period	<u><u>\$644,495</u></u>	<u><u>\$993,490</u></u>

(Please refer to the notes to the parent company only financial statements.)

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements

For the years ended December 31, 2023 and 2022
(Except as indicated, expressed in thousands of New Taiwan Dollars)

(1) Company history

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

(2) Approval date and procedures of the parent company only financial statements

The parent company only financial statements for the years ended December 31, 2023 and 2022 of the Company were authorized for issue by the Board of Directors on March 14, 2024.

(3) New standards, amendments and interpretations adopted

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

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

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

No.	New, Revised, or Amended Standards or Interpretations	Effective date per IASB
1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
2	Lease Liability in Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
3	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 1, 2024
4	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

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

1) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments revised the classification of liabilities as current or non-current in paragraphs 69 to 76 of IAS 1 “Presentation of Financial Statements.”

2) Lease Liability in Sale and Leaseback (Amendments to IFRS 16)

The amendments added additional accounting treatments to seller-lessees under sale and leaseback transactions, to improve the consistency of adoption of standard.

3) Non-current Liabilities with Covenants (Amendments to IAS 1)

The amendments improved the long-term loan information provided by entities. Classification (current or non-current) of a liability at the end of the reporting period is unaffected by the agreements that the entities shall comply with within twelve months after the reporting period.

4) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments added the explanation about supplier finance arrangement, and required an entity to disclose information about its supplier finance arrangement.

The above are the standards or interpretations issued by International Accounting Standards Board and endorsed by the FSC and effective for annual period beginning on January 1, 2024. The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

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

No.	New, Revised, or Amended Standards or Interpretations	Effective date per IASB
1	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
2	Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
3	Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

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

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.

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

2) Amendments to IFRS 17 "Insurance Contract"

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

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

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

3) Amendments to IAS 21 "Lack of Exchangeability"

The amendment explains the exchangeability and lack of exchangeability between currencies, as well as how exchange rates are determined when a currency lacks exchangeability. It also introduces additional disclosure requirements for currencies lacking exchangeability. These amendments will be applicable for accounting periods beginning on or after January 1, 2025.

The above are the standards or interpretations issued by International Accounting Standards Board but not endorsed by the FSC. The adoption date will depend on FSC's regulations. The Company assessed that the aforementioned standards and interpretations would not have a significant impact on its financial position and financial performance.

(4) Summary of significant accounting policies

1. Statement of compliance

The accompanying parent company only financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Hota Industrial Manufacturing Company
Notes to the parent company only financial statements (cont.)
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2. Basis of preparation

The accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. According to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Therefore, investments in subsidiaries are presented as “investments accounted for using equity method” on the parent company only financial statements and necessary valuation adjustments have been made.

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

3. Foreign currencies transactions

The parent company only financial statements are expressed in the Company's functional currency, “New Taiwan Dollar.”

Transactions in foreign currencies are translated by the rate of exchange prevailing at the dates of the transactions or measurement into the functional currency. At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate; non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was measure; non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. The exchange differences arising from the translation are recognized in the profit or loss.

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

- 1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- 2) Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- 3) Exchange differences arising on a monetary item that is part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of such investment.

When the profit or loss arising from exchange differences arising on the non-monetary items are

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

4. Translation of financial statements denominated in foreign currencies

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

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

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

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

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

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

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

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Notes to the parent company only financial statements (cont.)

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

- 1) The Company expects to settle the liability in normal operating cycle.
- 2) The Company holds the liability primarily for the purpose of trading.
- 3) The liability is due to be settled within twelve months after the reporting period.
- 4) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

6. Cash and cash equivalents

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

7. Financial instruments

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

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

1) Recognition and measurement of financial assets

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

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

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

B. The asset’s contractual cash flow characteristics

Financial assets at amortized cost

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

A. The business model for managing the asset : the objective is to hold assets in order to collect contractual cash flows.

B. The asset’s contractual cash flow characteristics : the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

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

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

Financial asset at fair value through OCI

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

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

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

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial assets is derecognized or reclassified.
- B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest income shall be calculated by using the effective interest method and recognized in profit or loss. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for :
 - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

Financial assets at fair value through profit or loss

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

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

2) Impairment of financial assets

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

The measurement of expected credit losses of a financial instrument should reflect :

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

Loss allowance is measured as follows :

- A. Equal to 12-month expected credit losses : If the credit risk on a financial instrument has not increased significantly since initial recognition, or financial assets are determined to be with low credit risk, the Company shall measure the loss allowance for that financial assets at an amount equal to 12-month expected credit losses. Besides, if the Company has measured the loss allowance for a financial instrument at an amount equal to life time

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expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions are no longer met, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

- B. Equal to lifetime expected credit losses : If the credit risk on a financial instrument has increased significantly since initial recognition, or financial assets are purchased or originated credit-impaired, the Company shall measure the loss allowance for that financial assets at an amount equal to lifetime expected credit losses.
- C. The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables or contract assets that result from transactions that are within the scope of IFRS 15.
- D. The Company shall measure the loss allowance at an amount equal to lifetime expected credit losses for lease receivables that result from transactions that are within the scope of IFRS 16.

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

3) Derecognition of Financial Assets

The Company shall derecognize the financial assets when :

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

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

4) Financial liabilities and equity instruments

Classification of liabilities or equity

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

Equity instruments

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Notes to the parent company only financial statements (cont.)

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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Notes to the parent company only financial statements (cont.)
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The Company shall remove a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

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

5) Offset of financial assets and financial liabilities

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventories

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

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

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Materials — cost of purchase, by FIFO.

Finished goods and work in process — including direct materials, labour, and fixed manufacturing expenses allocated by normal capacity, excluding costs of borrowings.

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

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

10. Investments accounted for using equity method

The investments in subsidiaries have been adjusted in valuation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. According to Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Those adjustments primarily consider the treatment of subsidiaries in the consolidated financial statements in accordance with IFRS10 and the differences in adopting IFRSs by different level of reporting entities, and are debited or credited in accounting items, such as “investments accounted for using equity method,” “share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method,” or “share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method.”

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

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

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

When the Company 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 Company's proportionate interest in the net assets of the associate. The

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Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to “capital surplus,” and “investments accounted for using equity method.” If the Company’s ownership interest in an associate is reduced, the Company shall reclassify to profit or loss or other appropriate account the proportion of the gain or loss that had previously been recognized in other comprehensive income. The aforementioned capital surplus shall be transferred to profit or loss by the percentage of disposal at disposal of associates subsequently.

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

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

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

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

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

11. Property, plant and equipment

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

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Notes to the parent company only financial statements (cont.)
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Straight-line method is used to allocate the depreciable amount of an asset over its useful life as follows:

Asset	Useful life
Buildings and structures	6 – 50 years
Machinery equipment	4 – 26 years
Transportation equipment	3 – 16 years
Other equipment	2 – 25 years

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

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

12. Investment properties

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

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

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

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

13. Lease

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

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

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

The Company as the lessee

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

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

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

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

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

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

- 2) any lease payments made at or before the commencement date, less any lease incentives received ;
- 3) any initial direct costs incurred by the lessee ; and
- 4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

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

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

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

The Company as the lessor

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

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

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

14. Intangible assets

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

The useful lives of intangible assets are finite

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

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

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

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

15. Impairment of non-financial assets

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

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

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

16. Provisions

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

Provisions for decommissioning, restoration and rehabilitation costs

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

17. Revenue recognition

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

Sales of goods

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

18. Borrowing costs

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

19. Government grants

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

20. Post-employment plans

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

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

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

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

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

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

21. Income tax

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

Current income tax

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

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

Deferred income tax

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

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

- 1) the initial recognition of goodwill ; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss) ;
- 2) investments in subsidiaries, associates, and interests in joint arrangements; the parent, investor, joint venture or joint operator is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

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

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

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

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

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

Estimates and assumptions

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

1) Fair value of financial instruments

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

2) Receivables — estimates on impairment losses

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

3) Inventory valuation

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

(6) Explanation of significant accounts

1. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$340	\$340
Bank deposits	643,488	993,150
Time deposits	667	-
Total	<u>\$644,495</u>	<u>\$993,490</u>

The cash and cash equivalent held by the Company were not pledge as collaterals.

2. Financial assets at fair value through other comprehensive income

	December 31, 2023	December 31, 2022
Current items:		
Stocks of listed companies	\$49,916	\$51,306
Valuation adjustment	(2,131)	(9,498)
Total	<u>\$47,785</u>	<u>\$41,808</u>
Non-current items:		
Stocks of listed companies and stocks in emerging market	\$175,898	\$87,503
Valuation adjustment	(41,016)	(27,392)
Total	<u>\$134,882</u>	<u>\$60,111</u>

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	December 31, 2023	December 31, 2022
Financial asset at fair value through other comprehensive income	<u>\$182,667</u>	<u>\$101,919</u>

The Company disposed equity investments with fair value of NT\$8,229 thousand and NT\$29,077 thousand, and the accumulated gains on disposals amounted to NT\$7,115 thousand and NT\$5,528 thousand for the years ended December 31, 2023 and 2022, respectively.

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

	2023	2022
Changes in fair value recognized in other comprehensive income	\$3,338	\$(529)
Accumulated gains transferred to retained earnings arising from derecognition - the Company	(6,839)	(5,528)
Accumulated gains transferred to retained earnings arising from derecognition – subsidiaries and associates	(276)	-
Total	<u>\$(3,777)</u>	<u>\$(6,057)</u>

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022 are \$182,667 thousand and \$101,919 thousand, respectively.

Please refer to Note 12.4 and 9 for relevant information on price risks and fair value of financial assets at fair value through other comprehensive income.

3. Financial assets at amortized cost

	December 31, 2023	December 31, 2022
Current items:		
Time deposits (over 3 months)	\$ -	\$155,095
Restricted bank deposits	7,991	835
Total	<u>\$7,991</u>	<u>\$155,930</u>

Hota Industrial Manufacturing Company
Notes to the parent company only financial statements (cont.)
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Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at amortized cost as of December 31, 2023 and 2022 are \$7,991 thousand and \$155,930 thousand, respectively.

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

4. Accounts receivables

	December 31, 2023	December 31, 2022
Accounts receivables	\$2,542,809	\$2,940,499
Less : loss allowance	(45,486)	(21,486)
Total	<u>\$2,497,323</u>	<u>\$2,919,013</u>

The Company signed accounts receivables factoring contracts without right of recourse with E.SUN BANK and O-Bank. As of December 31, 2023 and 2022, the accounts receivables expected to be factored (included in financial assets at fair value through other comprehensive income) amounted to NT\$678,026 thousand and NT\$830,834 thousand, respectively.

The changes in fair value of financial recognized in other comprehensive income amounted to NT\$44,986 thousand and NT\$40,860 thousand, and the other comprehensive income reclassified to profit or loss amounted to NT\$24,031 thousand and NT\$11,574 thousand, as of December 31, 2023 and 2022, respectively.

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

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

As of December 31, 2023 and 2022, the relevant information on undue derecognized accounts receivables which are factored is as follows:

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Notes to the parent company only financial statements (cont.)

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

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

December 31, 2022					
Counter party of factoring and financing	Amount of factored accounts receivables	Derecognized amount	Advanced amount	Amount to be advanced	Interest rate interval (%)
O-Bank	\$277,553	\$277,553	\$249,669	\$27,884	5.05~5.39

As of December 31, 2023 and 2022, the amounts retained in accounts receivables factored are NT\$54,608, thousand, and NT\$27,884 thousand, respectively, which have been transferred to other receivables. The portion eligible for derecognition in the accounts receivables factored has been transferred to other receivables, and the advanced amount has been recognized as bank loans.

5. Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$546,588	\$796,116
Work in process	1,121,344	1,266,718
Finished goods	935,586	892,367
Total	\$2,603,518	\$2,955,201

The inventory costs recognized as costs of goods sold amounted to NT\$5,045,906 thousand and NT\$5,313,060 thousand, including inventory valuation losses of NT\$6,500 thousand and NT\$15,000 thousand for the years ended December 31, 2023 and 2022, respectively.

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

6. Investments accounted for using equity method

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

Name of investee company	December 31, 2023		December 31, 2022	
	Amount	Percent age of owners hip	Amount	Percent age of owners hip
Investments in subsidiaries:				
Hozuan Investment Company Limited	\$275,734	100%	\$261,624	100%
CAPTAIN HOLDING CO., LTD.	183,144	100%	196,281	100%
Howin Precision Company Limited	81,169	61.05%	87,566	61.05%
HOTATECH, INC	260,645	100%	252,350	100%
HOTA USA INC.	1,026	100%	-	-
Juda Intelligent Technology	161,713	100%	4,997	83.33%
Hefu Construction Co., Ltd	66,617	50%	66,871	50%
Helun Precision Co., Ltd.	5,019	100%	4,993	100%
Investments in associates:				
KAO FONG MACHINERY CO., LTD.	14,420	0.78%	14,132	0.78%
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	25%	3,736	25%
TAKAWASEIKI, INC.	3,036	40%	2,142	40%
LING WEI CO., LTD.	45,090	45%	44,919	45%
Subtotal	1,101,349		939,611	
Less: accumulated impairment	(3,736)		(3,736)	
Total	<u>\$1,097,613</u>		<u>\$935,875</u>	

- 1) The share of profit or loss of subsidiaries, associates and joint ventures income accounted for using equity method, exchange differences arising on translation of foreign operations, unrealized valuation gains (losses) on investments in equity instruments at fair value through other comprehensive income, and actuarial gains (losses) of defined benefit plans for the years ended December 31, 2023 and 2022 are as follows:

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

(A) 2023:

Investee company	Share of profit or loss of subsidiaries, associates and joint ventures income accounted for using equity method	Exchange differences arising on translation of foreign operations	Unrealized valuation gains (losses) on investments in equity instruments at fair value through other comprehensive income	Actuarial gains (losses) of defined benefit plans
Hozuan Investment Company Limited	\$17,309	\$(1,041)	\$(1,325)	\$(1,091)
CAPTAIN HOLDING CO., LTD.	(15,183)	457	-	-
Howin Precision Company Limited	(3,598)	(2)	133	355
HOTATECH, INC	8,714	(167)	-	-
HOTA USA INC.	(2,074)	(125)	-	-
Juda Intelligent Technology	1,974	-	-	-
Hefu Construction Co., Ltd	(254)	-	-	-
Helun Precision Co., Ltd.	26	-	-	-
KAO FONG MACHINERY CO., LTD.	811	(53)	(92)	(55)
TAKAWASEIKI, INC.	907	(13)	-	-
LING WEI CO., LTD.	2,612	-	-	-
Total	<u>\$11,244</u>	<u>\$(944)</u>	<u>\$(1,284)</u>	<u>\$(791)</u>

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

(B)2022:

Investee company	Share of profit or loss of subsidiaries, associates and joint ventures income accounted for using equity method	Exchange differences arising on translation of foreign operations	Unrealized valuation gains (losses) on investments in equity instruments at fair value through other comprehensive income	Actuarial gains (losses) of defined benefit plans
Hozuan Investment Company Limited	\$7,966	\$1,960	\$(32,720)	\$798
CAPTAIN HOLDING CO., LTD.	4,712	38,826	-	-
Wuxi Hota Precision Gear Company Limited	-	(35,979)	-	-
Howin Precision Company Limited	6,649	4	(817)	589
HOTATECH, INC	(1,923)	25,427	-	-
HOTA USA INC.	-	-	-	-
Juda Intelligent Technology	13	-	-	-
Hefu Construction Co., Ltd	(875)	-	-	-
Helun Precision Co., Ltd.	(7)	-	-	-
KAO FONG MACHINERY CO., LTD.	369	100	(1,375)	41
TAKAWASEIKI, INC.	(2,780)	486	-	-
LING WEI CO., LTD.	2,966	-	-	-
Total	<u>\$17,090</u>	<u>\$30,824</u>	<u>\$(34,912)</u>	<u>\$1,427</u>

2) Investments in subsidiaries

Investments in subsidiaries are presented as “investments accounted for using equity method” in the parent company only financial statements, and valuation adjustments have been made, as appropriate.

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

The Company resolved to divide and transfer the machinery division to the subsidiary, Juda Intelligent Technology, by the board of directors on May 11, 2023. September 1, 2023 is the base date for the dividing. The investment accounted for using equity method is recognized in the same amount of the net assets transferred of NT\$154,741 thousand.

In order for the mid and long-term operating growth and the order requirements of the customers in the USA, the board of directors has resolved to establish a plant in New Mexico, USA in August, 2023. The subsidiary, HOTA USA, INC. was established in October, 2023, and reinvested in HOTA INDUSTRIES, LLC as an operating entity in the USA.

Hota Industrial Manufacturing Company
Notes to the parent company only financial statements (cont.)
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3) Investments in associates

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

The investments in KAO FONG MACHINERY CO., LTD. are with public quoted prices. As of December 31, 2023 and 2022, the fair value amounted to NT\$13,380 thousand and NT\$8,640 thousand, respectively.

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

The aforementioned shares of profit or loss of subsidiaries and associates accounted for using equity method are based on the valuation in the financial assets of investees audited by auditors in the same period.

7. Property, plant and equipment

	December 31, 2023	December 31, 2022
Property, plant and equipment for self-use	\$12,686,755	\$12,415,901
Property, plant and equipment for operating lease	65,883	18,350
Total	<u>\$12,752,638</u>	<u>\$12,434,251</u>

1) Property, plant and equipment for self-use

	Land	Buildings and structures	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost:						
January 1, 2023	\$1,953,000	\$4,303,879	\$9,099,740	\$953,842	\$492,658	16,803,119
Additions	-	17,846	86,192	169,128	562,150	835,316
Disposals	-	-	(27,860)	(73,415)	-	(101,275)
Transfers	-	(28,229)	(1,746)	1,118	83,014	54,157
December 31, 2023	<u>\$1,953,000</u>	<u>\$4,293,496</u>	<u>\$9,156,326</u>	<u>\$1,050,673</u>	<u>\$1,137,822</u>	<u>\$17,591,317</u>
January 1, 2022	\$1,741,857	\$4,177,825	\$8,012,372	\$804,446	\$743,439	\$15,479,939
Additions	6,014	44,564	558,145	182,239	466,887	1,257,849
Disposals	-	-	(77,265)	(44,383)	-	(121,648)
Transfers	205,129	81,490	606,488	11,540	(717,668)	186,979
December 31, 2022	<u>\$1,953,000</u>	<u>\$4,303,879</u>	<u>\$9,099,740</u>	<u>\$953,842</u>	<u>\$492,658</u>	<u>\$16,803,119</u>

Depreciation and impairment:

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	Land	Buildings and structures	Machinery equipment	Other equipment	Unfinished construction and equipment pending acceptance	Total
January 1, 2023	\$-	\$932,338	\$3,008,240	\$446,640	\$-	\$4,387,218
Depreciation	-	109,536	378,336	152,012	-	639,884
Disposals	-	-	(26,758)	(70,753)	-	(97,511)
Transfers	-	(7,089)	(5,261)	(12,679)	-	(25,029)
December 31, 2023	\$-	\$1,034,785	\$3,354,557	\$515,220	\$-	\$4,904,562
January 1, 2022	\$-	\$824,947	\$2,720,503	\$364,602	\$-	\$3,910,052
Depreciation	-	107,391	364,802	126,043	-	598,236
Disposals	-	-	(77,265)	(44,005)	-	(121,270)
Transfers	-	-	200	-	-	200
December 31, 2022	\$-	\$932,338	\$3,008,240	\$446,640	\$-	\$4,387,218
Net carryin amount:						
December 31, 2023	\$1,953,000	\$3,258,711	\$5,801,769	\$535,453	\$1,137,822	\$12,686,755
December 31, 2022	\$1,953,000	\$3,371,541	\$6,091,500	\$507,202	\$492,658	\$12,415,901

2) Property, plant and equipment for operating lease

	Buildings and structures	Machinery equipment	Total
Cost:			
January 1, 2023	\$-	\$18,150	\$18,150
Additions	219	-	219
Transfers	58,275	-	58,275
December 31, 2023	\$58,494	\$18,150	\$76,644
January 1, 2022	\$-	\$-	\$-
Additions	-	-	-
Transfers	-	18,150	18,150
December 31, 2022	\$-	18,150	\$18,150
Depreciation and impairment:			
January 1, 2023	\$-	\$(200)	\$(200)
Depreciation	48	3,425	3,473
Transfers	7,488	-	7,488
December 31, 2023	\$7,536	\$3,225	\$10,761
January 1, 2022	\$-	\$-	\$-

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

	Buildings and structures	Machinery equipment	Total
Depreciation	-	-	-
Transfers	-	(200)	(200)
December 31, 2022	\$-	\$(200)	\$(200)
Net carrying amount:			
December 31, 2023	\$50,958	\$14,925	\$65,883
December 31, 2022	\$-	\$18,350	\$18,350

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

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

	2023	2022
Capitalized amount	\$28,656	\$17,720
Capitalized interest rate interval	1.96%	1.40%

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

The Company resolved to divide and transfer the machinery division to the subsidiary, Juda Intelligent Technology, by the board of directors on May 11, 2023. The transfer included machinery of NT\$8,867 thousand and other equipment NT\$2,387 thousand, and was completed on September 1, 2023.

8. Investment properties

	Land
Cost:	
January 1, 2023	\$30,387
December 31, 2023	\$30,387
Cost:	
January 1, 2022	\$30,387
December 31, 2022	\$30,387
Net carrying amount:	
December 31, 2023	\$30,387
December 31, 2022	\$30,387

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

The investment properties held by the Company did not incur rent revenue and direct operating expenses, including depreciation expenses.

As the investment properties held by the Company are not measured at fair value, only fair value information is disclosed. The fair value hierarchy is level 3. The fair values of the investment properties held by the Company amounted to both NT\$34,985 thousand as of December 31, 2023 and 2022. The aforementioned fair values were referred to the deal price in the similar zones in the website of Inquiry of Actual Price Registration of Real Estate Transactions by Ministry of the Interior, not valued by external independent appraisers.

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

9. Short-term borrowings

	December 31, 2023	December 31, 2022
Unsecured bank loans	\$ 1,526,337	\$1,617,359
Secured bank loans	350,000	130,000
Total	<u>\$1,876,337</u>	<u>\$1,747,359</u>

As of December 31, 2023, the unused credit lines for short-term borrowings amounted to NT\$516,561 thousand.

	2023	2022
Interest rate interval		
Unsecured bank loans	1.25%~1.96%	1.11%~1.94%
Secured bank loans	1.75%	1.30%~1.43%

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

10. Short-term notes payables

	December 31, 2023	December 31, 2022
Mega Bills	\$500,000	\$-
China Bills	500,000	100,000
Land Bank of Taiwan Bills	-	960,000
Total	<u>\$1,000,000</u>	<u>\$1,060,000</u>
	2023	2022
Interest rate interval	1.94%~2.16%	1.27%~1.38%

11. Other payables

	December 31, 2023	December 31, 2022
Payroll payables	\$82,362	\$113,233

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Employees' bonus and directors' remuneration payables	11,047	4,500
Payables for equipment	123,565	208,354
Freight payables	55,374	98,452
Others	210,657	267,044
Total	<u>\$483,005</u>	<u>\$691,583</u>

12. Long-term borrowings

As of December 31, 2023 and 2022, the details of long-term borrowings are as follows:

Type of borrowing	December 31, 2023	Interest rate	Repayment period and method
Syndicated secured loan — Land Bank of Taiwan	\$2,700,000	2.257%~2.26%	The loan shall be repaid since March 24, 2024 in every six months, until March 24, 2026.
Secured bank loans	2,709,723	0.6%~2.09%	Successively due by March, 2039 (repay in installments)
Unsecured bank loans	1,569,905	0.6%~1.950%	Successively due by October, 2029 (repay in installments)
Subtotal	<u>6,979,628</u>		
Less: current portion	(1,051,669)		
Less: discounts from government grant	(36,141)		
Net amount	<u>\$5,891,818</u>		
Type of borrowing	December 31, 2022	Interest rate	Repayment period and method
Syndicated secured loan — Land Bank of Taiwan	\$1,900,000	1.96%~2.01%	The loan shall be repaid since March 24, 2024 in every six months, until March 24, 2026.
Secured bank loans	2,941,743	0.35%~1.96%	Successively due by May 30 2039 (repay in installments)
Unsecured bank loans	2,228,462	0.35%~1.96%	Successively due by March 24, 2026 (repay in installments)
Subtotal	<u>7,070,205</u>		
Less: current portion	(604,845)		
Less: discounts from government grant	(49,669)		
Net amount	<u>\$6,415,691</u>		

1) The Company signed a “syndicated secured loan contract,” amounting to NT\$5,000,000

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

thousand, with the Company of syndicated loan banks, including Land Bank of Taiwan, and E.SUN BANK, arranged and organized by Land Bank of Taiwan on March 24, 2021. The purposes of the loans are repayments of borrowings from financial institutions and enhancement of mid-term operating capital. As of December 31, 2023, the actual usage amount is NT\$2,700,000 thousand, and the amount not used is NT\$2,300,000 thousand.

Aside from the relevant regulations in the syndicated secured loan contract, there are limitations as follows: in the duration of the syndicated loans before full repayment, the financial ratios shall be maintained as follows, and the ratios shall be calculated by the financial statements audited by CPA once a year:

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

In accordance with the loan contract, in the duration of the loans, the Company shall abide by requirements of specific financial ratios, including current ratio, financial liability ratio, and tangible net worth (net worth deducting intangible assets). As of December 31, 2023, the Company did not violate the aforementioned terms of regulations.

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

13. Government grants

The Company acquired loans with preferential interest rate by “Welcome Taiwanese Companies Abroad to Invest in Taiwan Action Plan” offered by the government from TAIWAN BUSINESS BANK, First Commercial Bank, Taiwan Cooperative Bank. As of December 31, 2023, the total amount is NT\$2,757,774 thousand, for the purposes of operating turnover, procurement of machinery equipment and establishment of plants. The loans shall be repaid from August, 2021 to November, 2029. The fair value of the loan estimated by the market interest rate at the time of acquiring the loans, which is 1.40%~2.83%, is NT\$2,699,467 thousand. The difference between the amount acquired and the fair value of the loan amounted to NT\$58,307 thousand, which is regarded as low interest rate subsidized by the government, and recognized as deferred revenue (presented as “other non-current liabilities”). The deferred revenue shall be transferred to other revenue by straight-line method over the period of the loan contracts.

14. Pension

Defined contribution plan

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

The pension expenses of defined contribution plan amounted to NT\$26,232 thousand and NT\$27,858 thousand for the years ended December 31, 2023 and 2022, respectively.

Defined benefit plan

The Company has a defined benefit pension plan in accordance with the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contribute monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent Supervisory Committee of Labor Retirement Reserve Fund (the “Fund”). Before the end of each year, the Company assess the balance in the aforementioned Fund. If the balance in the Fund is inadequate to pay the pension of employees who are eligible for retirement in the following year by the aforementioned method, the Company and domestic subsidiaries are required to fund the deficit in one appropriation before the end of next March.

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

As of December 31, 2023, the defined benefit plan is expected to be due after 6.5 years. The costs of defined benefit plan recognized in profit or loss are as follows:

	2023	2022
Current service cost	\$380	\$566
Net interest of net defined benefit liabilities (assets)	562	421
Total	<u>\$942</u>	<u>\$987</u>

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	\$146,859	\$ 165,299
Fair value of plan assets	(105,865)	(117,387)
Other non-current liabilities — the carrying amount of net defined benefit liabilities (assets)	\$ 40,994	\$47,912

Reconciliation of net defined benefit liabilities (assets):

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities (assets)
January 1, 2022	\$175,877	\$(111,543)	\$64,334
Current service cost	566	-	566
Interest expenses (revenue)	1,157	(736)	421
Subtotal	177,600	(112,279)	65,321
Remeasurement of defined benefit liabilities/ assets :			
Actuarial gains and losses on changes in demographic assumptions	1	-	1
Actuarial gains and losses on changes in financial assumptions	(5,872)	-	(5,872)
Experience adjustment	(495)	-	(495)
Remeasurement of defined benefit assets	-	(8,626)	(8,626)
Subtotal	(6,366)	(8,626)	(14,992)
Benefits paid	(5,935)	5,935	-
Funding by employers	-	(2,417)	(2,417)
December 31, 2022	165,299	(117,837)	47,912
Current service cost	380	-	380
Interest expenses (revenue)	1,843	(1,281)	562
Subtotal	167,522	(118,688)	48,854
Remeasurement of defined benefit liabilities/ assets :			
Actuarial gains and losses on changes in demographic assumptions	-	-	-
Actuarial gains and losses on changes in financial assumptions	-	-	-
Experience adjustment	(5,023)	-	(5,023)
Remeasurement of defined benefit assets	-	(1,164)	(1,164)
Subtotal	(5,023)	(1,164)	(6,187)
Benefits paid	(15,640)	15,640	-
Funding by employers	-	(1,673)	(1,673)
December 31, 2023	\$146,859	\$(105,865)	\$40,994

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

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

	December 31, 2023	December 31, 2022
Discount rate	1.20%	1.20%
Rate of expected future salary increase	3.00%	3.00%

The sensitivity analysis of each significant actuarial assumption:

	2023		2022	
	Defined benefit obligation increase	Defined benefit obligation decrease	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate increase by 0.25%	\$-	\$2,420	\$-	\$2,793
Discount rate decrease by 0.25%	2,532	-	2,887	-
Expected future salary increase by 0.25%	2,256	-	2,829	-
Expected future salary decrease by 0.25%	-	2,171	-	2,751

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

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

15. Equity

1) Common stocks

As of January 1, 2022, the authorized capital is NT\$3,500,000, each share at par value of NT\$10, divided into 350,000 thousand of shares. The number of shares issued is 279,518 thousand, and the paid-in capital is NT\$2,795,175 thousand. As of December 31, 2023, there is no change.

2) Capital surplus

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$3,804,533	\$3,804,533
Changes in interests in ownership of subsidiaries recognized	5,667	5,667
Gains on disposals of assets	309	309

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Employee stock options	23,295	23,295
Total	<u>\$3,833,804</u>	<u>\$3,833,804</u>

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

3) Profits distribution and dividend policies

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

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

The Company dividend policies are 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 ratio for cash dividend shall not be lower than 20% of total distribution.

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

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

According to the approval letter with reference number Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021, on the Company's first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains)

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards," the Company shall set aside an equal amount of special reserve. When the Company uses, disposes, or reclassifies related assets, the special reserve in proportion to the appropriation may be reversed for profits distribution.

The distribution of earnings for 2023 was to be approved by the board of directors and shareholders meeting held on March 14, 2024, while the distribution of earnings for 2021 was approved by the board of directors and shareholders meeting held on June 13, 2023. The details are as follows:

	Proposal of appropriation and distribution of earnings		Dividends per share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$33,849	\$64,290		
Special reserve	17,450	34,804		
Cash dividend of common stocks	279,518	447,228	\$1.00	\$1.60

Please refer to Note 6.19 for the information on the estimation basis and recognized amounts of employees' and directors' remuneration.

16. Operating revenue

	2023	2022
Revenue from contracts with customers		
Revenue from sales of goods	\$6,096,868	\$6,898,232

The relevant information on revenue from contracts with customers for the years ended December 31, 2023 and 2022 is as follows:

1) Classification of revenue

2023

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	\$3,592,893	\$119,443	\$189,320	\$1,753,084	\$442,128	\$6,096,868

2022

	USA	China	Taiwan	Europe	Other areas	Total
Revenue from sales of goods	\$4,094,036	\$370,412	\$257,640	\$1,612,585	\$563,559	\$6,898,232

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

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

17. Expected credit loss

	2023	2022
Operating expenses — expected credit losses		
Accounts receivables	\$24,000	\$15,148

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

As financial assets at amortized cost held by the Company are assessed to be with low credit risk (the assessment result is the same as that in January 1, 2022), the Company measures loss allowance at an amount equal to 12-month expected credit loss. As the correspondent banks of the Company are with good credit rating, no loss allowance is provided.

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

The information on loss allowances estimated for accounts receivables as of December 31, 2023 and 2022 is as follows:

December 31, 2023

	Undue (Note)	Days overdue				Total
		0-120 days	121-240 days	241-361 days	Over 361 days	
Total carrying amount	\$1,705,225	\$543,670	\$129,043	\$112,729	\$98,751	\$2,589,418
Loss rate	- %	0.07%	0.23%	7.00%	37.38%	
Life-time expected credit	-	(385)	(302)	(7,891)	(36,908)	(45,486)
Carrying amount	\$1,705,225	\$543,285	\$128,741	\$104,838	\$61,843	\$2,543,932

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

December 31, 2022

	Undue (Note)	Days overdue				Total
		0-120 days	121-240 days	241-361 days	Over 361 days	
Total carrying amount	\$2,401,752	\$361,522	\$139,713	\$30,126	\$7,386	\$2,940,499
Loss rate	0.01%	0.25%	0.56%	40.66%	100%	

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

Life-time						
expected credit	(179)	(892)	(781)	(12,248)	(7,386)	(21,486)
Carrying amount	\$2,401,573	\$360,630	\$138,932	\$17,878	\$-	\$2,919,013

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

The information on changes in loss allowances for accounts receivables for the years ended December 31, 2023 and 2022 is as follows:

	Notes receivables	Accounts receivables
January 1, 2023	\$-	\$21,486
Amount increased in current period	-	24,000
Amount written off due to uncollectibility	-	-
December 31, 2022	\$-	\$45,486
January 1, 2022	\$-	\$15,486
Amount increased in current period	-	15,148
Amount written off due to uncollectibility	-	(9,148)
December 31, 2022	\$-	\$21,486

18. Lease

1) The Company as the lessee

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

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

A. Amounts recognized in the balance sheets

a. Right-of-use assets

Carrying amount of right-of-use assets

	December 31, 2023	December 31, 2022
Land	\$232,449	\$239,493
Buildings and structures	10,736	11,718
Total	\$243,185	\$251,211

The additions in right-of-use assets for the years ended December 31, 2023 and 2022 amounted to NT\$5,122 thousand and NT\$8,654 thousand, respectively. °

b. Lease liabilities

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	December 31, 2023	December 31, 2022
Current	\$11,740	\$16,401
Non-current	239,775	241,620
Total	<u>\$251,515</u>	<u>\$258,021</u>

Please refer to Note 6.20(4), finance costs, for the interest expenses arising from lease liabilities for the years ended December 31, 2023 and 2022. Please refer to Note 12.6, liquidity risk management, for the maturity analysis of lease liabilities as of December 31, 2023 and 2022.

B. Amounts recognized in statements of comprehensive income

Depreciation of right-of-use assets

	2023	2022
Land	\$7,044	\$7,043
Buildings and structures	6,104	4,946
Total	<u>\$13,148</u>	<u>\$11,989</u>

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

	2023	2022
Expenses of short-term lease	<u>\$6,654</u>	<u>\$3,851</u>

D. Cash outflows related to lease activities as a lessee

The total cash outflows arising from lease for the years ended December 31, 2023 and 2022 amounted to NT\$17,098 thousand and NT\$18,217 thousand, respectively.

2) The Company as the lessor

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

The gains recognized arising from operating lease contracts for the years ended December 31, 2023 and 2022 are as follows:

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	2023	2022
Relevant gains from fixed lease payments and variable lease payment depending on an index or a rate	\$8,425	\$5,191

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

	December 31, 2023	December 31, 2022
Within 1 year	\$254	\$2,655
Over 1 year but within 2 years	254	254
Over 2 years but within 3 years	203	254
Over 3 years but within 4 years	50	203
Over 4 years but within 5 years	50	50
Over 5 years	400	450
Total	<u>\$1,211</u>	<u>\$3,866</u>

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

By function By nature	2023			2022		
	Reco gnized in operating costs	Reco gnized in operating expenses	Total	Reco gnized in operating costs	Reco gnized in operating expenses	Total
Employee benefits						
Payroll expenses	\$595,568	\$114,680	\$710,248	\$650,782	\$133,474	\$784,256
Labor and health insurance	68,376	12,087	80,463	63,749	12,087	75,836
Employee benefits	22,084	5,090	27,174	22,470	8,041	30,511
Directors' remuneration	-	2,947	2,947	-	14,185	14,185
Other employee benefits expenses	50,855	5,807	56,662	53,797	6,483	60,280
Depreciation expenses	632,648	23,857	656,505	585,975	24,250	610,225
Amortization expenses	2,649	1,911	4,560	2,876	1,975	4,851

The average numbers of employees are 1,108 and 1,117 for the years ended December 31, 2023 and 2022, respectively. Among them, the numbers of directors not serving as employees are both 10.

The average employee benefit expenses for the years ended December 31, 2023 and 2022 amounted to NT\$796 and NT\$859, respectively.

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

The average payroll expenses for the years ended December 31, 2023 and 2022 amounted to NT\$647 and NT\$708, respectively. The average payroll expenses were adjusted by - 8.62%.

As the Company has set up the Audit Committee in replacement of supervisors, supervisors' remuneration is not recognized.

The payroll and remuneration policies including, assessing and reviewing directors' and managers' payroll and remuneration by the Remuneration Committee on a regular basis, and reviewing employees' payroll level on a regular basis, to offer employees competitive payroll.

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

Based on the profit status for the year ended December 31, 2023, the employee's and directors' remuneration are accrued at 2.18% and 0.79%, respectively. The employee's and directors' remuneration recognized for the year ended December 31, 2023 amounted to NT\$8,100 thousand and NT\$2,947 thousand, respectively, which were presented under payroll expenses. Based on the profit status for the year ended December 31, 2022, the employee's and directors' remuneration are accrued at 2.14% and 0.57%, respectively. The employee's and directors' remuneration recognized for the year ended December 31, 2023 amounted to NT\$16,800 thousand and NT\$4,500 thousand, respectively, which were presented under payroll expenses.

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

The board of directors has resolved to pay the employee's and directors' remuneration amounting to NT\$16,800 thousand and NT\$4,500 thousand, respectively, in cash on March 16, 2023. The amount is not significantly different from the expenses recognized in the financial statements for the year ended December 31, 2022.

20. Non-operating income and expenses

1) Interest income

	2023	2022
Interest from bank deposits	\$4,692	\$1,715

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Financial assets at amortized cost	2,012	17
Other interest income	272	613
Total	<u>\$6,976</u>	<u>\$2,345</u>

2) Other income

	2023	2022
Rent income	\$8,425	\$5,191
Revenue from government grants	11,134	10,420
Dividend income	2,619	2,441
Other income — others	24,646	18,280
Total	<u>\$46,824</u>	<u>\$36,332</u>

3) Other gains and losses

	2023	2022
Gains (losses) on disposal of property, plant and equipment	\$(1,737)	\$7,954
Foreign exchange net gains	22,380	268,491
Total	<u>\$20,643</u>	<u>\$276,445</u>

4) Finance costs

	2023	2022
Foreign exchange net gains	\$157,667	\$105,616
Foreign exchange net gains	3,938	4,006
Foreign exchange net gains	<u>\$161,605</u>	<u>\$109,622</u>

21. Other comprehensive income

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

	Arising in current period	Reclassification in current period	Other comprehensive income	Income tax benefits (expenses)	Amount net of tax
Items not to be reclassified into profit or loss:					
Remeasurements of defined benefit plans	\$6,187	\$-	\$6,187	\$(1,237)	\$4,950
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	3,338	-	3,338	-	3,338
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method — items that will not be reclassified subsequently to profit or loss	(2,906)	-	(2,906)	-	(2,906)

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Items that may be reclassified subsequently to profit or loss:

Exchange differences arising on translation of foreign operations	(3,131)	-	(3,131)	(3,306)	(6,437)
Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	(4,126)	-	(4,126)	-	(4,126)
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method	(995)	-	(995)	-	(995)
Total	<u><u>\$(1,633)</u></u>	<u><u>\$-</u></u>	<u><u>\$(1,633)</u></u>	<u><u>\$(4,543)</u></u>	<u><u>\$(6,176)</u></u>

The components of other comprehensive income for the years ended December 31, 2022 are as follows:

	Arising in current period	Reclassification in current period	Other comprehensive income	Income tax benefits (expenses)	Amount net of tax
Items not to be reclassified into profit or loss:					
Remeasurements of defined benefit plans	\$14,992	\$-	\$14,992	\$(2,998)	\$11,994
Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income	(529)	-	(529)	-	(529)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method — items that will not be reclassified subsequently to profit or loss	(33,485)	-	(33,485)	-	(33,485)
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	33,413	-	33,413	2,013	35,426
Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income	(31,814)	-	(31,814)	-	(31,814)
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method	2,552	-	2,552	-	2,552
Total	<u><u>\$(14,871)</u></u>	<u><u>\$-</u></u>	<u><u>\$(14,871)</u></u>	<u><u>\$(985)</u></u>	<u><u>\$(15,856)</u></u>

22. Income tax

The major components of income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

Income tax recognized in profit or loss

	2023	2022
Current income tax expenses (benefit):		
Current income tax payables	\$96,916	\$137,245

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Underestimation (overestimation) to income tax in prior years	(38,827)	(10,436)
Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings	3,882	-
Deferred income tax expenses:		
Deferred income tax expenses related to origination and reversal of temporary differences	(28,213)	12,315
Income tax expenses	<u>\$33,758</u>	<u>\$139,124</u>

Income tax recognized in other comprehensive income

	2023	2022
Current income tax expenses (benefit):		
Exchange differences arising on translation of foreign operations	\$(3,306)	\$2,013
Remeasurement of defined benefit plans	(1,237)	(2,998)
Income tax related to components of other comprehensive income	<u>\$(4,543)</u>	<u>\$(985)</u>

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

	2023	2022
Profit before tax from continuing operations	<u>\$360,969</u>	<u>\$763,082</u>
Tax payables at the enacted tax rate of 20%	\$72,194	\$147,220
Tax effect of tax-exempt income	(4,496)	-
Tax effect of non-deductible expenses	875	2,340
Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings	3,882	-
Adjustments in current period relating to current income tax in prior years	(38,827)	(10,436)
Tax effect of other adjustments in accordance with tax laws	130	-
Total income tax expenses recognized in profit or loss	<u>\$33,758</u>	<u>\$139,124</u>

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

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Inventory valuation and obsolescence losses	\$20,140	\$1,300	\$-	\$21,440
Unrealized exchange losses (gains)	(7,341)	20,330	-	12,989
Unrealized transactions among the entities in within the group	2,800	(268)	-	2,532
Allowance for doubtful debts	4,297	(485)	-	3,812
Unrealized employees' bonus	1,723	(1,536)	-	187
Net defined benefit liabilities — non-current	3,730	-	(1,237)	2,493
Book-tax difference in depreciation	(37,254)	7,163	-	(30,091)
Exchange differences arising on translation of foreign operations	(642)	-	(3,306)	(3,948)
Gains and losses from investments accounted for using equity method	12,737	1,709	-	14,446
Land Value Increment Tax	(1,417)	-	-	(1,417)
Deferred income tax benefit (expenses)		<u>\$28,213</u>	<u>\$(4,543)</u>	
Net deferred tax assets/(liabilities)	<u>\$(1,227)</u>			<u>\$22,443</u>
Information presented in balance sheets is as follows:				
Deferred tax assets	<u>\$45,427</u>			<u>\$44,723</u>
Deferred tax liabilities	<u>\$46,654</u>			<u>\$22,280</u>

2022

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance
Temporary differences				
Inventory valuation and obsolescence losses	\$17,140	\$3,000	\$-	\$20,140
Unrealized exchange losses (gains)	11,478	(18,819)	-	(7,341)
Unrealized transactions among the entities in within the group	2,792	8	-	2,800
Allowance for doubtful debts	3,097	1,200	-	4,297
Unrealized employees' bonus	1,723	-	-	1,723
Accrued pension expenses not provided	29	(29)	-	-
Net defined benefit liabilities — non-current	6,728	-	(2,998)	3,730
Book-tax difference in right-of-use assets	3,010	(3,010)	-	-

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Book-tax difference in depreciation	(42,593)	5,339	-	(37,254)
Exchange differences arising on translation of foreign operations	(2,656)	-	2,014	(642)
Gains and losses from investments accounted for using equity method	12,741	(4)	-	12,737
Land Value Increment Tax	(1,417)	-	-	(1,417)
Deferred income tax benefit (expenses)		<u>\$(12,315)</u>	<u>\$(984)</u>	
Net deferred tax assets/(liabilities)	<u>\$9,062</u>			<u>\$(1,227)</u>
Information presented in balance sheets is as follows:				
Deferred tax assets	<u>\$58,738</u>			<u>\$45,427</u>
Deferred tax liabilities	<u>\$46,666</u>			<u>\$46,654</u>
<u>Declaration and verification of income tax</u>				

As of December 31, 2023, the declaration and verification of the Company's income tax are as follows:

	Declaration and verification of income tax
The Company	<u>Verified until 2021</u>

23. Earnings per share

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

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

	<u>2023</u>	<u>2022</u>
1) Basic earnings per share		
Net income for the year attributable to common stocks shareholders (NT\$ thousand)	<u>\$327,211</u>	<u>\$623,958</u>
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	<u>279,518</u>	<u>279,518</u>
Basic earnings per share (NT\$)	<u>\$1.17</u>	<u>\$2.23</u>
2) Diluted earnings per share		

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	2023	2022
Net income for the year attributable to common stocks shareholders after adjusting dilutive effects (NT\$ thousand)	<u>\$327,211</u>	<u>\$623,958</u>
Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)	279,518	279,518
Dilutive effect		
Employees' remuneration — stock (thousands of shares) (Note)	<u>136</u>	<u>247</u>
Weighted average number of common stocks outstanding of basic earnings per share after adjusting dilutive effects (thousands of shares)	<u>279,654</u>	<u>279,765</u>
Diluted earnings per share (NT\$)	<u>\$1.17</u>	<u>\$2.23</u>

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

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

(7) Related party transactions

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

Names and relationship of related parties

Name of the related party	Relationship with the Company
Howin Precision Company Limited (Howin Precision)	Subsidiary directly held
HOTATECH, INC. (HOTATECH)	Subsidiary directly held
Juda Intelligent Technology (Juda Intelligent)	Subsidiary directly held
Howon (Whaian) Automobile Components Company Limited (Howon)	Sub-subsidiary indirectly held
KAO FONG MACHINERY CO., LTD. (KAO FONG MACHINERY)	Associate
GLOBAL TECHNOS LTD. (GLOBAL)	Other related party
MAIN DRIVE CORPORATION	Other related party

1. Operating revenue

	2023	2022
Subsidiary		
HOTATECH	\$55,601	\$50,755

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Howon	7,354	14,365
Howin Precision	-	10,555
Subtotal	62,955	75,675
Associate	1,476	1,629
Other related parties	441	5,258
Total	<u>\$64,872</u>	<u>\$82,562</u>

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

2. Manufacturing expenses

	2023	2022
Subsidiary		
Howin Precision	\$71,834	\$86,074
Juda Intelligent	651	-
Howon	158	3,818
Subtotal	72,643	89,892
Associate	85,568	87,130
Other related parties	78	556
Total	<u>\$158,289</u>	<u>\$177,578</u>

3. Lease — related parties

Rent expenditures

	2023	2022
Associate		
KAO FONG	\$1,800	\$600
MACHINERY		

The rents of the underlying assets of the aforementioned lease are determined by the rent in the neighborhood at the commence date and the size of the area rent. Rents are paid monthly.

Rent income

	2023	2022
Subsidiary		
Hefu	\$2,773	\$756
Juda Intelligent	1,664	-
Subtotal	4,437	756
Associate		
KAO FONG	600	600
MACHINERY		
Total	<u>\$5,037</u>	<u>\$1,356</u>

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

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

4. Property transactions

Acquisition of shares

		2023	2022
		<u>2023</u>	<u>2022</u>
KAO	FONG	\$1,000	\$-
MACHINERY		<u>\$1,000</u>	<u>\$-</u>

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

Acquisition of property, plant and equipment

		2023	2022
		<u>2023</u>	<u>2022</u>
Subsidiary			
Juda Intelligent		\$14,214	\$-
Associate			
KAO	FONG	5,271	444
MACHINERY			
Other related parties		33	333
Total		<u>\$19,518</u>	<u>\$777</u>

Please refer to Note 6.7 for the relevant information on the property, plant and equipment divided and transferred to the subsidiary, Juda Intelligent.

5. Receivables from related parties

	December 31, 2023	December 31, 2022
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivables		
Subsidiary		
HOTATECH	\$22,772	\$23,648
Howon	13,733	19,320
Howin Precision	-	12,565
Subtotal	<u>36,505</u>	<u>55,533</u>
Associate	-	5
Total	<u>\$36,505</u>	<u>\$55,538</u>
Other receivables		
Subsidiary		
Juda Intelligent	\$436	\$-
Howin Precision	265	265
Subtotal	<u>701</u>	<u>265</u>
Associate	53	-
Total	<u>\$754</u>	<u>\$265</u>

6. Payables to related parties

	December 31, 2023	December 31, 2022
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts payables		
Subsidiary		

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Howin Precision	<u>\$28,066</u>	<u>\$42,479</u>
Other payables		
Subsidiary		
Juda Intelligent	\$14,179	\$-
Juda Intelligent	147	147
Howon	55	3,475
Subtotal	<u>14,381</u>	<u>3,622</u>
Associate	9,817	7,248
Other related parties	-	175
Total	<u>\$24,198</u>	<u>\$11,045</u>

7. Key management personnel compensation of the Company

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$38,241	\$33,407
Post-employments benefits	1,614	1,214
Total	<u>\$39,855</u>	<u>\$34,621</u>

(8) Pledged assets

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

Item	Carrying amount		Purpose of pledge
	December 31, 2023	December 31, 2022	
Property, plant and equipment	\$6,653,759	\$7,006,723	Long-term and short-term borrowings
Financial assets at amortized cost	7,991	835	Guaranteed deposits for projects, issuing letter of credit
Total	<u>\$6,661,750</u>	<u>\$7,007,558</u>	

(9) Significant contingencies and unrecognized contract commitments

- As of December 31, 2023 and 2022, the issued but unused letters of credit for purchasing raw materials and machinery equipment amounted to NT\$78,480 thousand and NT\$149,408 thousand, respectively.
- Significant contract commitments — purchase amount that the performance obligations are not completed

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

	December 31, 2023	December 31, 2022
Raw materials and property, plant and equipment	<u>\$535,188</u>	<u>\$524,871</u>

(10) Losses due to major disasters

None.

(11) Significant subsequent events

None.

(12) Others

1. Capital management

The Company'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 Company monitors working capital through regularly reviewing the ratio of liabilities to assets. The ratios of liabilities to assets of the Company for the years ended December 31, 2023 and 2022, are as follows:

	December 31, 2023	December 31, 2022
Total assets	\$20,411,603	\$21,278,737
Total liabilities	11,688,130	12,429,071
Ratio of liabilities to assets	57.26%	58.41%

2. Types of financial instruments

<u>Financial assets</u>	December 31, 2023	December 31, 2022
Financial assets at fair value through other comprehensive income		
Investments in equity instruments elected to be measured at fair value through other comprehensive income	\$182,667	\$101,919
Accounts receivables	678,026	830,834
Financial assets at amortized cost		
Cash and cash equivalents (excluding cash on hand)	644,155	993,150
Financial assets at amortized cost	7,991	155,930

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

<u>Financial assets</u>	December 31, 2023	December 31, 2022
Notes receivables	10,104	-
Accounts receivables (including related parties)	1,855,802	2,143,717
Other receivables	84,507	173,888
Guaranteed deposits paid	12,644	2,644
Total	<u>\$3,475,896</u>	<u>\$4,402,082</u>
<u>Financial liabilities</u>	December 31, 2023	December 31, 2022
Financial liabilities at amortized cost		
Short-term borrowings	\$1,876,337	\$1,747,359
Short-term notes payables	1,000,000	1,060,000
Notes payables	423,851	524,871
Accounts payables	471,915	819,121
Other payables	483,005	691,583
Long-term borrowings (including current portion)	6,943,487	7,020,536
Lease liabilities	251,515	258,021
Total	<u>\$11,450,110</u>	<u>\$12,121,491</u>

3. Objective and policies of financial risk management

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

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

4. Market risk

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

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

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Foreign currency risk

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

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

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

A strengthening/weakening of 1% of the NTD against the USD, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$22,285 thousands and NT\$27,727 thousands, respectively.

A strengthening/weakening of 1% of the NTD against the EURO, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$2,521 thousands and NT\$2,947 thousands, respectively.

Interest rate risk

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

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

The sensitivity analyses of interest rate risk are performed on borrowings at floating interest rates at the end of the reporting period, and assume holding them for a fiscal year. An increase/decrease of 0.1% of interest rate, would have decrease/increase the profit for the years ended December 31, 2023 and 2022 by NT\$8,820 thousands and NT\$7,020 thousands, respectively.

Equity price risk

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

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

5. Credit risk management

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

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

As of December 31, 2023 and 2022, the Company's five largest customers accounted for 83.36% and 72.69% of accounts receivables, respectively. The Company considers the concentration of credit risk for the remaining accounts receivables not material.

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

6. Liquidity risk management

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

Non-derivative financial instruments

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

	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
December 31, 2023					
Short-term borrowings	\$1,883,156	\$-	\$-	\$-	\$1,883,156
Short-term notes payables	1,000,000	-	-	-	1,000,000
Notes payables	423,851	-	-	-	423,851
Accounts payables	471,915	-	-	-	471,915
Other payables	483,005	-	-	-	483,005
Lease liabilities	15,567	11,126	30,978	261,129	318,800
Long-term borrowings	1,136,688	1,932,483	2,850,339	1,599,466	7,518,976
December 31, 2022					
Short-term borrowings	\$1,752,502	\$-	\$-	\$-	\$1,752,502
Short-term notes payables	1,060,000	-	-	-	1,060,000
Notes payables	524,871	-	-	-	524,871
Accounts payables	819,121	-	-	-	819,121
Other payables	691,583	-	-	-	691,583
Lease liabilities	14,827	22,252	21,652	270,455	329,186
Long-term borrowings	709,480	2,575,589	2,603,461	1,692,428	7,580,958

7. Reconciliation of liabilities arising from financing activities

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

	Short-term borrowings	Short-term notes payables	Long-term borrowings	Lease liabilities	Dividends payables	Total liabilities from financing activities
January 1, 2023	\$1,747,359	\$1,060,000	\$7,020,536	\$258,021	\$-	\$10,085,916
Cash flows	127,985	(60,000)	(90,577)	(6,506)	(447,228)	(476,326)

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Additions	-	-	-	-	447,228	447,228
Non-cash changes	-	-	13,528	-	-	13,528
Changes in exchange rate	993	-	-	-	-	993
December 31, 2023	<u>\$1,876,337</u>	<u>\$1,000,000</u>	<u>\$ 6,943,487</u>	<u>\$251,515</u>	<u>\$-</u>	<u>\$10,071,339</u>

Reconciliation schedule of liabilities for the year ended December 31, 2022:

	Short-term borrowings	Short-term notes payables	Long-term borrowings	Lease liabilities	Dividend s payables	Total liabilities from financing activities
January 1, 2022	\$947,263	\$1,260,000	\$5,475,061	\$255,704	\$-	\$7,938,028
Cash flows	794,943	(200,000)	1,544,289	(10,360)	(381,541)	1,747,331
Additions	-	-	-	-	381,541	381,541
Non-cash changes	-	-	1,186	12,677	-	13,863
Changes in exchange rate	5,153	-	-	-	-	5,153
December 31, 2022	<u>\$1,747,359</u>	<u>\$1,060,000</u>	<u>\$7,020,536</u>	<u>\$258,021</u>	<u>\$-</u>	<u>\$10,085,916</u>

8. Fair value of financial instruments

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

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

- A. All the carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities is the reasonable approximation of fair value, because the duration of the instruments aforementioned is short.
- B. The fair value of financial assets and liabilities with standardized terms and conditions traded in active market is determined by referring the market quoted prices (e.g. stocks of listed companies, beneficiary certificate, bonds, and futures, etc.)
- C. The fair value of equity instruments without active markets (e.g. private placement stocks of listed companies, stocks of public offering companies without active market, and stocks of non-public offering companies) is assessed by the market approach, which uses prices and other relevant information (inputs such as discount for lack of marketability analysis, the P/E ratio of comparable companies, and P/B ratio of comparable companies, etc.) generated by market transactions involving identical or comparable equity instruments.

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

- D. The fair values of bank loans and other non-current liabilities without active market quotations are determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions, such as the interest rate and discount rate, are primarily based on relevant information of similar instruments (e.g. yield curves published by Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
- E. The fair values of derivative financial instruments, which are not options, are determined based on the counterparty prices or discounted cash flow analysis by the yield curve applicable in the duration. For derivative financial instruments, which are not options, the fair values are determined based on the counterparty prices, appropriate option pricing models (e.g. Monte Carlo Simulation), or other valuation methods.

2) Fair value of financial instruments at amortized cost

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

3) Relevant information on fair value hierarchy of financial instruments

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

9. Fair value hierarchy

1) Definition of fair value hierarchy

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

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

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

Level 3 : unobservable inputs for the assets or liabilities.

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

2) The information of fair value hierarchy

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity securities	\$47,785	\$-	\$134,882	\$182,667
Accounts receivables	-	678,026	-	678,026
Total	<u>\$47,785</u>	<u>\$678,026</u>	<u>\$134,882</u>	<u>\$860,693</u>
December 31, 2022	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income				
Equity securities	\$41,808	\$-	\$60,111	\$101,919
Accounts receivables	-	830,834	-	830,834
Total	<u>\$41,808</u>	<u>\$830,834</u>	<u>\$60,111</u>	<u>\$932,753</u>

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

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

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

Transfers between fair value hierarchy of level 1 and level 2

For the years ended December 31, 2023 and 2022, there is no transfers between fair value hierarchy of level 1 and level 2 in assets and liabilities measured at fair value on a recurring basis.

Changes in level 3 for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning balance	\$60,111	\$54,313
Acquisition in the current period	88,395	6,375
Gains (losses) recognized in other comprehensive income	<u>(13,624)</u>	<u>(577)</u>

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

	2023	2022
Ending balance	\$134,882	\$60,111

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.8)	\$-	\$-	\$34,985	\$34,985

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets whose fair value shall only be disclosed:				
Investment properties (Please refer to Note 6.8)	\$-	\$-	\$34,985	\$34,985

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

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

	Expressed in thousands of New Taiwan Dollars					
	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets						
Monetary items						
USD:NTD	\$73,312	30.71	\$2,251,045	\$91,152	30.71	\$2,799,278
EURO:NTD	7,896	33.98	268,306	9,521	32.72	311,527
Financial liabilities						
Monetary items						
USD:NTD	\$734	30.71	\$22,537	\$867	30.71	\$26,626
EURO:NTD	477	33.98	16,208	513	32.72	16,785

As there were various functional currencies of each entity of the Group, the Group was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The Group recognized net exchange net gains amounted to NT\$22,380 thousand and NT\$268,491 thousand for the years ended December 31, 2023 and 2022, respectively.

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

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

(13) Other disclosures

1. Information on significant transactions

- 1) Loans to others : Table 1
- 2) Provision of endorsements and guarantees to others : Table 2
- 3) Holding of marketable securities at the end of the period : Table 3
- 4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 5) Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 6) Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 9) Trading in derivative instruments : None.
- 10) Others : Business relationships among the parent company and subsidiaries, and significant intercompany transactions (amount reaching NT\$100 million or 20% of paid-in capital or more) : None.

2. Information on investees : Table 4

3. Information on Investees in Mainland China

- 1) The Company reinvested in investees in Mainland China by Captain Holding Co., Ltd. : Please refer to Table 5.
- 2) Significant transactions directly or indirectly through the third region with the investees in Mainland China, and the prices, payment terms, and unrealized gains and losses : The amount of purchases by the Company from the investees in Mainland China does not reach 10% of the total purchases for the years ended December 31, 2023. The prices are based on general purchase prices, and payments are made in advance.

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

4. Information on major shareholders :

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

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

Table 1 : Loans to others

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

No. (Note 1)	Name of lender	Name of borrower	Account	Related party	Highest balance during the period	Ending balance (Note 6)	Actual usage amount	Interest rate interval	Nature of the financing (Note 4)	Transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 2)	Note
													Name	Value			
0	Hota Industrial Manufacturing Company	YUNG-CHIN DEVELOPING CO., LTD.	Other receivables	N	\$12,000	\$9,600	\$7,200	2.75	2	\$-	Procurement of equipment	\$-	None	\$-	\$1,744,696	\$3,489,389	5
0	Hota Industrial Manufacturing Company	JIAN Li Co.	Other receivables	N	6,000	6,000	6,000	2.75	2	-	Procurement of equipment	-	None	-	1,744,696	3,489,389	5

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

(1) The issuer is 0.

(2) The investees are sequentially numbered from 1.

Note 2 : The Company regulates that the maximum limit of fund financing shall not exceed 40% of the net worth of the Company.

Note 3 : The Company regulates that the individual funding loan limit shall not exceed 20% of the net worth of the Company.

Note 4 : (1) The Company has business relations with the company. (2) In need of short-term financing.

Note 5 : The amounts have been eliminated in the consolidated financial statements.

Note 6 : Ending balance is the same as the fund financing amount approved by the board of directors.

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

Table 2 : Provision of endorsements and guarantees to others

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

No. (Note 1)	Name of endorser and guarantor	Guarantee and endorsee		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantee and endorsements during the period (Note 4)	Balance of guarantees and endorsements, end of the period (Note 5)	Actual usage amount (Note 6)	Amount of property pledged for guarantee and endorsement	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to subsidiary (Note 7)	Subsidiary endorsement s/ guarantees to the parent company (Note 7)	Endorsement s/ guarantees to third parties on behalf of companies in Mainland China (Note 7)	Note
		Company name	Relationship (Note 2)											
0	Hota Industrial Manufacturing Company	Howon (Whaia) Automobile Components Company Limited	2	\$1,744,695	\$312,900	\$249,325	\$249,325	-	2.86%	\$3,489,389	Y	N	Y	Note 7
0	Hota Industrial Manufacturing Company	Howon (Whaia) Automobile Components Company Limited	2	1,744,695	244,062	239,499	239,499	-	2.75%	3,489,389	Y	N	Y	Note 8
0	Hota Industrial Manufacturing Company	Howon (Whaia) Automobile Components Company Limited	2	1,744,695	93,870	92,115	92,115	-	1.06%	3,489,389	Y	N	Y	Note 9
0	Hota Industrial Manufacturing Company	Howon (Whaia) Automobile Components Company Limited	2	1,744,695	239,360	237,985	237,985	-	2.73%	3,489,389	Y	N	Y	Note 9
0	Hota Industrial Manufacturing Company	Hefu Construction Co., Ltd	6	1,744,695	156,000	156,000	148,000	-	1.70%	3,489,389	N	N	N	

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

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

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

- (1). Entities have business relations with the Company
- (2). The Company directly or indirectly holds more than 50% of voting shares of the entity.
- (3). Entity directly or indirectly owns more than 50% of voting shares of the Company.
- (4). The parent directly or indirectly through subsidiaries holds more than 50% of voting shares of the entity.
- (5). The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6). All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several 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 endorsement provided for an individual enterprise shall not exceed 20% of the net worth, and the total endorsement provided shall not exceed 40% of the net worth.

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

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

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

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

Note 7 : Ending balance of endorsement provided for Howon Automobile Components is USD8,120 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 8 : Ending balance of endorsement provided for Howon Automobile Components is USD7,800 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 9 : Ending balance of endorsement provided for Howon Automobile Components is USD3,000 thousand and CNY55,000 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 and CNY:NTD 4.327:1 as of December 31, 2023.

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

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

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

Holding company	Type of the security	Name of the security	Relationship with the issuer	Account	End of the period				Note
					Number of shares	Carrying amount	Percentage of ownership	Fair value	
HOTATECH	Stock	ALPHABET INC.(GOOG)	-	Financial assets mandatorily measured at fair value through profit or loss - current	1,000	\$4,327	-	\$4,327	
HOTATECH	Stock	Lucid Group Inc.(LCID)	-	Financial assets mandatorily measured at fair value through profit or loss - current	1,600	207	-	207	
HOTATECH	Stock	Rivian Automative,Inc./DE(RIVN)	-	Financial assets mandatorily measured at fair value through profit or loss - current	3,000	2,161	-	2,161	
HOTATECH	Stock	Tesla,Inc.(TSLA)	-	Financial assets mandatorily measured at fair value through profit or loss - current	1,000	7,630	-	7,630	
Hota Industrial Manufacturing Company	Stock	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income - current	335,000	22,579	-	22,579	
Hota Industrial Manufacturing Company	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	1,714,679	25,206	-	25,206	
Howin Precision Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	428,669	6,301	-	6,301	
Hozuan Investment Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	2,462,854	36,204	-	36,204	

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

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

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

Holding company	Type of the security	Name of the security	Relationship with the issuer	Account	End of the period				Note
					Number of shares	Carrying amount	Percentage of ownership	Fair value	
Hota Industrial Manufacturing Company	Stock	BMB Venture Capital Investment Corporation	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - non-current	3,128,588	\$18,600	9.08	\$18,600	
Hota Industrial Manufacturing Company	Stock	KWONG LUNG ENTERPRISE CO.,LTD.	-	Financial assets at fair value through other comprehensive income - non-current	689,189	10,291	4.05	10,291	
Hota Industrial Manufacturing Company	Stock	MAIN DRIVE CORPORATION	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - non-current	8,218,000	63,841	11.29	63,841	
Hota Industrial Manufacturing Company	Stock	Research Innovation Capital Corporation	-	Financial assets at fair value through other comprehensive income - non-current	6,000,000	30,000	17.86	30,000	
Hota Industrial Manufacturing Company	Ball card	Taichung International Entertainment Corporation	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - non-current	-	12,150	0.09	12,150	
Howin Precision Company Limited	Stock	Hoga Industry Co., Ltd.	Chairman of the Company is the chairman of the company.	Financial assets at fair value through other comprehensive income - current	577	5,758	7.84	5,758	

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

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

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

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

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

Table 4 : Information on investees

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

Name of the investor company	Name of the investee company	Location	Main business	Original investment amount		Holding at end of the period			Profit or loss of investees in the current period	Gains or losses on investments recognized in the current period	Note
				End of the period	End of prior period	Number of shares	Percentage of ownership	Carrying amount			
Hota Industrial Manufacturing Company	Hozuan Investment Company Limited	Taiwan	Investment activities	\$167,190	\$167,190	25,221,000	100.00	\$275,734	\$17,309	\$17,309	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	CAPTAIN HOLDING CO.,LTD.	Seychelles	Holding company	326,073	326,073	10,602,990	100.00	183,144	(15,184)	(15,184)	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	HOTATECH, INC.	USA	Sales of various precision gears and shafts of automobiles	173,638	173,638	530,200	100.00	260,646	8,714	8,714	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	HOTA USA INC.	USA	Holding company	3,225	-	1,000,000	100.00	1,026	(2,074)	(2,074)	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	Howin Precision Company Limited	Taiwan	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	41,450	41,450	7,305,147	61.05	81,169	(5,892)	(3,598)	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	Juda Intelligent Technology	Taiwan	Manufacturing and sales of various of precision gears for automobiles and motorbikes	159,741	5,000	15,974,146	100.00	161,712	1,975	1,975	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	Hefu Construction Co., Ltd	Taiwan	Construction and investment development of residences, apartments and mixed residential office buildings	68,000	68,000	6,800,000	50.00	66,617	(508)	(254)	Subsidiary of the Company (Note 4)
Hota Industrial Manufacturing Company	Helun Precision Co., Ltd.	Taiwan	Manufacturing and sell various of precision gears for automobiles and motorbikes	5,000	5,000	500,000	100.00	5,019	26	26	Subsidiary of the Company (Note 4)

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

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

Name of the investor company	Name of the investee company	Location	Main business	Original investment amount		Holding at end of the period			Profit or loss of investees in the current period	Gains or losses on investments recognized in the current period	Note
				End of the period	End of prior period	Number of shares	Percentage of ownership	Carrying amount			
HOTA USA INC.	Hota Industries, LLC	USA	Manufacturing and sell various of precision gears for automobiles	35	-	-	100	35	(1)	(1)	Subsidiary of the Company(Note 2, 4)
Hota Industrial Manufacturing Company	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	11,400	11,400	838,878	0.78	14,420	104,367	811	Investee accounted for using equity method (Note 3)
Hota Industrial Manufacturing Company	TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Taiwan	Removal, storage and treatment of general and hazardous industrial waste	12,500	12,500	375,000	25.00	-	-	-	Investee accounted for using equity method (Note 1)
Hota Industrial Manufacturing Company	TAKAWA SEIKI, INC.	USA	Machinery traders and agents	3,607	3,607	120,000	40.00	3,036	2,268	907	Investee accounted for using equity method

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

Table 4 (cont.) : Information on investees

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

Name of the investor company	Name of the investee company	Location	Main business	Original investment amount		Holding at end of the period			Profit or loss of investees in the current period	Gains or losses on investments recognized in the current period	Note
				End of the period	End of prior period	Number of shares	Percentage of ownership	Carrying amount			
Hota Industrial Manufacturing Company	LING WEI CO., LTD.	Taiwan	Hardware wholesale industry	36,338	36,338	3,633,750	45.00	45,090	6,905	2,612	Investee accounted for using equity method
Hozuan Investment Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	187,141	187,141	16,501,826	15.28	242,469	104,367	15,945	Investee accounted for using equity method (Note 2, 3)
Howin Precision Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	677	677	49,471	0.05	850	104,367	48	Investee accounted for using equity method (Note 2, 3)

Note 1 : The carrying amount of the long-term investment is the balance after the impairment loss of NT\$3,736 thousand has been recognized.

Note 2 : Gains or losses on investments are recognized through subsidiaries.

Note 3 : KAO FONG MACHINERY CO., LTD. is jointly held by Hota Industrial Manufacturing Company, Howin Precision Company Limited, and Hozuan Investment Company Limited.

The total percentage of ownership is 16.11%, and the gains on investments recognized by the Company amounted to NT\$16,804 thousand.

Note 4 : The amounts have been eliminated in the consolidated financial statements.

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

Table 5 : Information on investees in Mainland China

Expressed in thousands of New Taiwan

Dollars

(Except as indicated)

Names of investee in Mainland China	Main business	Paid-in capital	Method of investment (Note 1)	Accumulated outward remittance for investment from Taiwan, beginning of the period	Remittance of funds in the current period		Accumulated outward remittance for investment from Taiwan, end of the period	Profit or loss of investees in the current period	Direct and indirect percentage of ownership	Gains or losses on investments recognized in the current period	Ending carrying amount of the investment	Accumulated repatriation of gain on investment as of end of the period	Note
					Outward	Inward							
Howon (Whaian) Automobile Components Company Limited	Manufacturing and selling of automobile gearboxes and gears	\$509,703 (USD16,600 thousand)	2	\$503,562 (USD16,400 thousand)	-	-	\$503,562 (USD16,400 thousand)	\$(14,635)	100%	\$(14,635)	\$190,988	-	Note 2, 3

Company name	Accumulated outward remittance for investment in Mainland China as of end of the period	Investment amount authorized by investment commission, MOEA	Upper limit on the amount of investment stipulated by investment commission, MOEA
Hota Industrial Manufacturing Company	\$503,562	\$503,562	\$5,234,084

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

- (1) Directly invest in Mainland China
- (2) Indirectly invest in Mainland China through a company set up in the third region.
- (3) Other ways

The Company invested in investees in Mainland China through the subsidiary, CAPTAIN HOLDING CO.,LTD.

Note 2 : Paid-in capital is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 3 : The aforementioned investments accounted for using equity method is the share of profit or loss of sub-subsidiaries, which is from the self-prepared financial statements not audited by CPA.

Note 4 : 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 5 : Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 is USD 16,400 thousand.

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

Hota Industrial Manufacturing Company
Statement of significant accounting items
For the year ended December 31, 2023

Item	No. / Index
Statements of cash and cash equivalents	1
Statements of financial assets at fair value through other comprehensive income	Note 6.2
Statements of accounts receivables	2
Statements of inventories	3
Statements of changes in investments accounted for using equity method	4
Statements of changes in property, plant and equipment	Note 6.7
Statements of short-term borrowings	5
Statements of short-term notes payables	Note 6.10
Statements of notes payables	6
Statements of accounts payables	7
Statements of other payables	8
Statements of long-term borrowings (including current portion)	9
Statements of operating revenue	10
Statements of operating costs	11
Statements of manufacturing expenses	12
Statements of operating expenses	13
Current employee benefits, depreciation, and amortization expenses categorized by function	Note 6.19
Statements of non-operating income and expenses	Note 6.20

Hota Industrial Manufacturing Company

1.Statements of cash and cash equivalents

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Item	Summary	Amount	Note
Cash on hand		\$340	
Bank deposits			
Demand deposits		340,149	
Time deposits		667	
Checking deposits		—	
Deposits in foreign currencies	Primarily include : USD6,900 thousand EURO991 thousand JPY199,325 thousand CNY703 thousand THB11,978 thousand, etc.		
		303,339	
Total		<u>\$644,495</u>	

Hota Industrial Manufacturing Company

2.Statements of accounts receivables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Name of customer	Summary	Amount	Note
Non-related parties			
Company A		\$1,164,003	
Company B		604,705	
Company C		284,297	
Company D		251,793	
Others (Note)		290,220	
Subtotal		2,595,018	
Less: allowances for exchange loss		(52,210)	
Less: loss allowances		(45,485)	
Accounts receivables, net		<u>\$2,497,323</u>	

(Note) Customers with balances not exceeding 5% of the total account balance are presented combinedly.

Hota Industrial Manufacturing Company

3.Statements of inventories

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Item	Summary	Amount		Note
		Cost	Net realizable value	
Raw materials (including raw materials in transit)		\$561,615	\$546,588	Please refer to Note 4.9 for the determination of net realizable value.
Work in process		1,152,268	1,121,344	
Finished goods		996,837	935,586	
Total			<u>\$2,603,518</u>	
Less: allowances for inventory valuation loss		(107,202)		
Net amount		<u>\$2,603,518</u>		

Hota Industrial Manufacturing Company
4.Statements of changes in investments accounted for using equity method
For the year ended December 31, 2023

Expressed in thousands of shares; thousands of New Taiwan Dollars

Name	Beginning balance		Additions		Reductions		Amount increased (decreased) accounted for using equity method (Note 1)	Ending balance			Collateral or guarantee provided	Note
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount		Number of shares	Percentage of ownership	Amount		
Associates												
KAO FONG MACHINERY CO., LTD.	839	\$14,132	-	\$-	-	\$-	\$288	839	0.78%	\$14,420	None	
LING WEI CO., LTD.	3,634	44,919	-	-	-	-	171	3,634	45%	45,090	None	
TAKAWA SEIKI, INC.	120	2,142	-	-	-	-	894	120	40%	3,036	None	
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	375	3,736	-	-	-	-	-	375	25%	3,736	None	
Accumulated impairment		(3,736)	-	-		-	-			(3,736)		
Subtotal		61,193		-		-	1,353			62,546		
Subsidiaries												
Howin Precision Company Limited	7,305	87,566	-	-	-	-	(6,397)	7,305	61.05%	81,169	None	
Juda Intelligent Technology	500	4,997	15,474	154,741	-	-	1,975	15,974	100%	161,713	None	
Hefu Construction Co., Ltd	6,800	66,871	-	-	-	-	(254)	6,800	50%	66,617	None	
Helun Precision Co., Ltd.	500	4,993	-	-	-	-	26	500	100%	5,019	None	
Hozuan Investment Company Limited	25,221	261,624	-	-	-	-	14,110	25,221	100%	275,734	None	
HOTATECH, INC	530	252,350	-	-	-	-	8,295	530	100%	260,645	None	
HOTA USA INC.	-	-	1,000	3,225	-	-	(2,199)	1,000	100%	1,026	None	
CAPTAIN HOLDINGS., LTD.	10,603	196,281	-	-	-	-	(13,137)	10,603	100%	183,144	None	
Subtotal		874,682		157,966		-	2,419			1,035,067		
Total		<u>\$935,875</u>		<u>\$157,966</u>		<u>\$-</u>	<u>\$3,772</u>			<u>\$1,097,613</u>		
				<u>6</u>								

Note 1: Including shares of profit or loss and other comprehensive income of subsidiaries and associates accounted for using equity method, and cash dividends paid by investee companies, etc.

Hota Industrial Manufacturing Company

5.Statements of short-term borrowings

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Type of borrowing	Description	Ending balance	Contract period	Interest rate interval	Credit line	Collateral or guarantee	Note
Unsecured loans	TAIWAN BUSINESS BANK	\$22,730	2023/10/11~2024/4/8	1.96%	\$22,730	None	
Unsecured loans	TAIWAN BUSINESS BANK	3,247	2023/12/26~2024/6/23	1.96%	3,247	None	
Unsecured loans	First Commercial Bank	22,217	2023/10/11~2024/4/1	1.96%	22,217	None	
Unsecured loans	First Commercial Bank	10,000	2023/10/25~2024/1/23	1.75%	10,000	None	
Unsecured loans	First Commercial Bank	33,325	2023/11/17~2024/5/13	1.62%	33,325	None	
Unsecured loans	E.SUN BANK	180,000	2023/12/13~2024/3/13	1.78%	180,000	None	
Unsecured loans	Hua Nan Commercial Bank	11,927	2023/8/1~2024/7/26	1.25%	11,927	None	
Unsecured loans	Hua Nan Commercial Bank	17,891	2023/11/15~2024/11/8	1.25%	17,891	None	
Unsecured loans	Mega Bank	100,000	2023/10/30~2024/1/28	1.86%	100,000	None	
Unsecured loans	Bangkok Bank	150,000	2023/12/27~2024/1/26	1.79%	150,000	None	
Unsecured loans	Taishin International Bank	100,000	2023/12/18~2024/2/18	1.89%	100,000	None	
Unsecured loans	Cathay United Bank	100,000	2023/9/28~2024/1/5	1.79%	100,000	None	
Unsecured loans	Yuanta Commercial Bank	100,000	2023/11/10~2024/2/7	1.79%	100,000	None	
Unsecured loans	Chang Hwa Commercial Bank	225,000	2023/7/25~2024/7/25	1.85%	300,000	None	
Unsecured loans	Chang Hwa Commercial Bank	250,000	2023/12/27~2024/6/24	1.82%	250,000	None	
Unsecured loans	CTBC Bank	100,000	2023/10/13~2024/4/12	1.90%	100,000	None	
Unsecured loans	Shin Kong Bank	100,000	2023/11/28~2024/2/28	1.75%	100,000	None	
Secured loans	First Commercial Bank	120,000	2023/11/15~2024/1/23	1.75%	120,000	Land and plant	
Secured loans	Hua Nan Commercial Bank	230,000	2023/12/15~2024/2/15	1.75%	230,000	Land and plant	
Net amount		<u>\$1,876,337</u>					

Hota Industrial Manufacturing Company

6.Statements of notes payables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Name of supplier	Summary	Amount	Note
Company A	Payment for goods	<u>\$423,851</u>	

Hota Industrial Manufacturing Company

7.Statements of accounts payables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

Name of supplier	Summary	Amount	Note
Non-related parties			
Company A		\$61,111	
Company B		41,867	
Company C		25,218	
Others (Note)		<u>315,653</u>	
Accounts payables-non-related parties		<u>\$443,849</u>	
Related parties			
Howin Precision Company Limited		28,066	
Accounts payables, net		<u>\$471,915</u>	

(Note) Suppliers with balances not exceeding 5% of the total account balance are presented combinedly.

Hota Industrial Manufacturing Company

8.Statements of other payables

December 31, 2023

Expressed in thousands of

New Taiwan Dollars

Account	Summary	Amount
Non-related parties		
Payroll and bonus payables		\$90,462
Payables on equipment		106,658
Directors' and supervisors' remuneration payables		2,947
Others		258,740
Other payables-non-related parties		<u>\$458,807</u>
Related parties		
KAO FONG MACHINERY CO., LTD.		9,817
HOWON POWERTRAIN CO., LTD.		55
Juda Intelligent Technology		14,179
Howin Precision Company Limited		147
Other payables-related parties		<u>\$24,198</u>
Other payables, net		<u>\$483,005</u>

Hota Industrial Manufacturing Company
9.Statements of long-term borrowings (including current portion)
December 31, 2023

Expressed in thousands of New Taiwan Dollars

Creditor	Summary	Loan amount	Contract period	Interest rate	Collateral or guarantee	Note
Syndicated loan by TAIWAN	Syndicated mortgage loan	\$1,900,000	2018/9/28~2026/3/24	2.257%	Property, plant and	
First Commercial	Mortgage loan	1,278,568	2017/11/28~2032/11/28	0.700%~2.050%	Property, plant and	
Hua Nan Commercial	Mortgage loan	382,375	2019/12/13~2033/5/15	0.600%~1.725%	Equipment	
Taiwan Cooperative	Mortgage loan	20,763	2019/2/1~2028/4/12	1.940%	Equipment	
Land Bank of Taiwan	Mortgage loan	222,412	2021/8/31~2029/9/2	1.903%	Land	
Chang Hwa	Mortgage loan	721,247	2016/3/25~2038/9/27	2.090%	Land	
The Shanghai	Mortgage loan	278,320	2019/5/30~2039/5/30	1.850%~1.880%	Land and equipment	
TAIWAN	Mortgage loan	820	2023/9/23~2030/9/23	1.795%	Equipment	
First Commercial	Unsecured loan	96,657	2019/5/28~2032/5/15	0.700%		
Taiwan Cooperative	Unsecured loan	110,714	2019/7/18~2026/7/18	0.600%		
Yuanta Commercial	Unsecured loan	665,252	2019/8/15~2029/9/2	1.400%~1.600%		
Mizuho Bank	Unsecured loan	300,000	2023/7/25~2026/7/25	1.830%		
JihSun International	Unsecured loan	500,000	2023/10/19~2024/1/19	1.970%		
Agricultural Bank of	Unsecured loan	200,000	2023/10/20~2024/4/17	1.914%		
Mega Bank	Unsecured loan	300,000	2023/10/26~2024/10/26	1.795%		
	Unsecured loan	2,500	2023/12/27~2030/12/27	1.950%		
	Subtotal	\$6,979,628				
	Less: current portion	(1,051,669)				
	Less: discounts from	(36,141)				
	Total	\$5,891,818				

Hota Industrial Manufacturing Company

10.Statements of operating revenue

For the year ended December 31, 2023

Expressed in thousands of pieces; thousands of New Taiwan Dollars

Item	Quantity	Amount	Note
Gear and shaft for motorcycles	607	\$661,011	
Gear and shaft for automobiles	9,022	5,229,036	
Gear and shaft for others	874	206,821	
Operating revenue, net		<u>\$6,096,868</u>	

Hota Industrial Manufacturing Company

11.Statements of operating costs

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

Item	Amount	Note
I. Costs of self-produced goods sold		
Direct raw materials: beginning materials	\$811,143	
Add: purchases of materials, net	1,446,980	
Others	1	
Less: raw materials sold	(13,948)	
Transferred to expenses	(5,140)	
Others	(2,811)	
Ending raw materials	(561,615)	
Raw materials consumed	1,674,610	
Direct labor	442,442	
Manufacturing expenses (Statement 12)	2,999,071	
Manufacturing costs	5,116,123	
Add: beginning work in process	1,291,142	
Purchase of materials	35,395	
Transferred from finished goods	2,633,896	
Transfers in and out	82	
Less; ending work in process	(1,152,268)	
Semi-finished goods sold	(29,389)	
Others	(48,799)	
Costs of work in process	7,846,182	
Add: beginning work in process	953,618	
Finished goods purchased	(2,358)	
Less: transferred to manufacturing costs	(2,633,896)	
Transferred to fixed assets	(28,404)	
Transferred to expenses	(14,397)	
Others	(57,576)	
Ending finished goods	(996,837)	
Costs of self-produced goods sold	5,066,332	
II. Raw materials and semi-finished goods sold	55,004	
III. Losses on inventory valuation	6,500	
IV. Scraps	1,622	
V. Revenue from sales of tailings	(83,552)	
Total operating costs	\$5,045,906	

Hota Industrial Manufacturing Company

12.Statements of manufacturing expenses

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

Item	Amount	Note
Processing costs	\$1,286,672	
Depreciation	632,648	
Water, electricity and gas expenses	277,980	
Payroll expenses	158,881	
Other expenses (Note)	642,890	
Total	<u>\$2,999,071</u>	

Note: the balance of each item does not exceed 5% of total amount of the account balance.

Hota Industrial Manufacturing Company

13.Statements of operating expenses

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

Item	Sales and marketing expenses	General and administrative expenses	Research and development expenses	Expected credit impairment losses	Total	Note
Payroll expenses	\$30,209	\$44,234	\$45,328	\$—	\$119,771	
Freight	176,297	—	18	—	176,315	
Water, electricity and gas expenses	5,665	4,501	8,248	—	18,414	
Insurance expenses	6,012	2,811	5,769	—	14,592	
Depreciation	2,556	8,376	12,925	—	23,857	
Commission expenses	42,179	—	—	—	42,179	
Importing and exporting expenses	44,351	—	—	—	44,351	
Expected credit impairment losses	—	—	—	24,000	24,000	
Others (Note)	99,264	25,910	26,760	—	151,934	
Total	<u>\$406,533</u>	<u>\$85,832</u>	<u>\$99,048</u>	<u>\$24,000</u>	<u>\$615,413</u>	

Note: the balance of each item does not exceed 5% of total amount of the account balance.