

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

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

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## Hota Industrial Manufacturing Company Limited

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

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## Independent Auditor's Report

(112) Ministry of Finance approved No. 22004725

The Board of Directors and Shareholders  
Hota Industrial Manufacturing Company Limited

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those materials that, in our professional judgment, were of most significance in our audit of the individual financial statements for the year ended

December 31, 2022. These matters were addressed in the context of our audit of the Individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

### **Cut-off date for international export income**

#### Notes

With regard to the accounting policy on income recognition, please refer to Note 4 (28) of the individual financial report.

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

#### Corresponding verification procedures

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

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

### **Valuation on allowance of inventory write-downs and obsolescence loss**

#### Notes

With regard to inventory accounting policies, please refer to Note 4(13) of the individual financial report. For important accounting estimates and assumptions for inventory evaluation, please refer to Note 5(2) of the individual financial report. Please refer to Note 6(6) of the individual financial report for the description of loss allowance of inventory write-downs. The Company's total amount of inventories and loss allowance of inventory write-downs as of December 31, 2022 were NT\$3,055,903 thousand and NT\$100,702 thousand, respectively.

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

### Corresponding verification procedures

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

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

### **Other matters-adopting other accountant's audit reports**

The company's individual financial statements adopt equity method for investee companies whose financial statements have not been checked by this accountant, but by other accountants. Therefore, in the opinions expressed by this accountant on the above individual financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The amount of investments accounted for using the equity method as of December 31, 2022 and 2021 were NT\$125,922 thousand and 59,394 thousand, respectively, accounting for 0.59% and 0.30% of the total assets, respectively. From January 1 to December 31, 2022 and 2021, the comprehensive income recognized for using the equity method were NT\$1,244 thousand and NT\$2,843 thousand, respectively, accounting for 0.20% and 0.87% of comprehensive income, respectively.

### **Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements**

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

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

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

## **Auditors' Responsibilities for the Audit of the Individual Financial Statements**

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the individual 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 Company'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 the events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the Individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Individual 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 departments, 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 the audit.

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



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

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

Wu, Song-yuan

CPA

Xu, Jian-ye

Financial Supervisory Commission

Approved-certified No.:

Financial-Supervisory-Securities-Auditing-1090350620

Financial-Supervisory-Securities-Auditing-1050035683

March 16, 2023

Hota Industrial Manufacturing Company Limited

Individual Balance Sheet

2022 and 2021 December 31

(In Thousands of New Taiwan Dollars)

(in Thousands of New Taiwan Dollars)						
Assets		Note	December 31, 2022		December 31, 2021	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 993,490	4	\$ 776,622	4
1120	Financial assets measured at fair value through other comprehensive income-current	6(2)	41,808	-	78,221	1
1136	Financial assets at amortized cost-current	6(3) and 8	155,930	1	2,121	-
1150	Notes receivable, net	6(4)	-	-	25,442	-
1170	Accounts receivable, net	6(4)	2,919,013	14	2,472,606	13
1180	Accounts receivable-related parties, net	7(2)	55,538	-	37,761	-
1200	Other receivables	7(2)	173,888	1	67,702	-
130X	Inventories	6(6)	2,955,201	14	2,681,916	14
1470	Other current assets		163,811	1	224,690	1
11XX	<b>Total current assets</b>		<u>7,458,679</u>	<u>35</u>	<u>6,367,081</u>	<u>33</u>
<b>Non-current assets</b>						
1517	Financial assets measured at fair value through other comprehensive income-non-current	6(2)	60,111	-	54,313	-
1550	Investments accounted for using equity method	6(7)	935,875	5	913,788	5
1600	Property, plant and equipment	6(8) and 8	12,434,251	59	11,569,887	60
1755	Right-of-use assets	6(9)	251,211	1	250,524	1
1760	Investment property, net	6(11)	30,387	-	30,387	-
1780	Intangible assets		7,402	-	6,142	-
1840	Deferred income tax assets	6(30)	45,427	-	58,738	-
1900	Other non-current assets	6(12) and 7(2)	55,394	-	243,429	1
15XX	<b>Total non-current assets</b>		<u>13,820,058</u>	<u>65</u>	<u>13,127,208</u>	<u>67</u>
1XXX	<b>Total assets</b>		<u>\$ 21,278,737</u>	<u>100</u>	<u>\$ 19,494,289</u>	<u>100</u>

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Hota Industrial Manufacturing Company Limited

Individual Balance Sheet

2022 and 2021 December 31

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY		Note	D e c e m b e r 3 1 , 2 0 2 2		D e c e m b e r 3 1 , 2 0 2 1	
			A m o u n t	%	A m o u n t	%
<b>Current liabilities</b>						
2100	Short-term borrowings	6(13) and 8	\$ 1,747,359	8	\$ 947,263	5
2110	Short-term notes and bills payable	6(14)	1,060,000	5	1,260,000	7
2150	Notes payable		524,871	2	921,500	5
2170	Accounts payable	7(2)	819,121	4	958,995	5
2200	Other payables	6(15) and 7(2)	691,583	3	795,731	4
2230	Income tax payable	6(30)	137,139	1	65,160	-
2280	Lease liabilities-current		16,401	-	14,868	-
2320	Long-term liabilities due within one year or business cycle	6(16) and 8	604,845	3	860,341	4
2399	Other current liabilities		7,056	-	15,779	-
21XX	<b>Total current liabilities</b>		<u>5,608,375</u>	<u>26</u>	<u>5,839,637</u>	<u>30</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(16) and 8	6,415,691	30	4,614,720	24
2570	Deferred income tax liabilities	6(30)	46,654	-	46,666	-
2580	Lease liabilities-non-current	6(9)	241,620	1	240,836	1
2600	Other non-current liabilities	6(18)	116,731	1	129,325	1
25XX	<b>Total non-current liabilities</b>		<u>6,820,696</u>	<u>32</u>	<u>5,031,547</u>	<u>26</u>
2XXX	<b>Total liabilities</b>		<u>12,429,071</u>	<u>58</u>	<u>10,871,184</u>	<u>56</u>
<b>Equity</b>						
	Capital stock	6(19)				
3110	Common stock		2,795,175	13	2,795,175	14
	Capital surplus	6(20)				
3200	Capital surplus		3,833,804	18	3,833,804	19
	Retained earnings	6(21)				
3310	Legal reserve		724,977	4	689,651	4
3320	Special reserve		60,354	-	48,236	-
3350	Unappropriated retained earnings		1,530,514	7	1,316,593	7
	Other equity	6(22)				
3400	Other equity		( 95,158)	-	( 60,354)	-
3XXX	<b>Total equity</b>		<u>8,849,666</u>	<u>42</u>	<u>8,623,105</u>	<u>44</u>
	Commitments and contingencies	9				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 21,278,737</u>	<u>100</u>	<u>\$ 19,494,289</u>	<u>100</u>

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

		(In Thousands of New Taiwan Dollars) (Except for earnings per share of New Taiwan dollars)			
		2022		2021	
Item	Note	Amount	%	Amount	%
4000 Operating revenue	6(23) and 7 (2)	\$ 6,898,232	100	\$ 6,230,770	100
5000 Operating costs	6(6)(28) (29) and 7 (2)	( 5,313,060)	( 77)	( 4,628,884)	( 75)
5900 Gross profit		1,585,172	23	1,601,886	25
5910 Unrealized loss (profit) of sales		( 42)	-	3,220	-
5950 Net gross profit		1,585,130	23	1,605,106	25
Operating expenses	6(28) (29)				
6100 Sales and marketing expenses		( 828,890)	( 12)	( 861,507)	( 14)
6200 General and administrative expenses		( 94,797)	( 1)	( 89,759)	( 1)
6300 Research and development		( 105,803)	( 2)	( 113,808)	( 2)
6450 Expected credit loss	12(2)	( 15,148)	-	( 4,164)	-
6000 Total operating expenses		( 1,044,638)	( 15)	( 1,069,238)	( 17)
6900 Income from operations		540,492	8	535,868	8
Non-operating income and expenses					
7100 Interest income	6(24)	2,345	-	482	-
7010 Other income	6(25)	36,332	1	26,010	-
7020 Other gains and losses	6(26)	276,445	4	( 77,381)	( 1)
7050 Finance costs	6(27)	( 109,622)	( 2)	( 75,806)	( 1)
7070 Share of associates and joint ventures income accounted for using equity method	6(7)	17,090	-	( 8,172)	-
7000 Total non-operating income and expenses		222,590	3	( 134,867)	( 2)
7900 <b>Income before income tax</b>		763,082	11	401,001	6
7950 Income tax expense	6(30)	( 139,124)	( 2)	( 59,178)	( 1)
8200 <b>Net income</b>		\$ 623,958	9	\$ 341,823	5

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

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

Item	Note	2020			2019										
		A	m	o	u	n	t	%	A	m	o	u	n	t	%
<b>Other comprehensive income (loss), net</b>															
<b>Items that will not be reclassified subsequently to profit or loss</b>															
8311	Remeasurement of defined benefit obligation	6(18)	\$			14,992		-	\$			5,584		-	
8316	Unrealized gains or losses on investments in equity instruments measured at fair value through other comprehensive income		(			529)		-	(			582)		-	
8330	Share of subsidiaries, associates and joint ventures other comprehensive income accounted for using equity method - Items that will not be reclassified subsequently to profit or loss		(			33,485)		-	(			16,491)		-	
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	6(30)	(			2,998)		-	(			1,117)		-	
8310	Items that will not be reclassified subsequently to profit or loss		(			22,020)		-	(			12,606)		-	
<b>Items that may be reclassified subsequently to profit or loss</b>															
8361	Exchange differences arising on translation of foreign operations					33,413		-	(			8,129)		-	
8367	Unrealized gains or losses on investments in debt instruments measured at fair value through other comprehensive income, net		(			31,814)		-				1,514		-	
8380	Share of subsidiaries, associates and joint ventures other comprehensive income accounted for using equity method - Items that may be reclassified subsequently to profit or loss					2,552		-				4,031		-	
8399	Income tax benefit (expense) related to items that will be reclassified subsequently	6(30)				2,013		-				1,383		-	
8360	Items that may be reclassified subsequently to profit or loss					6,164		-	(			1,201)		-	
8300	<b>Other comprehensive income (loss), net</b>		(\$			15,856)		-	(\$			13,807)		-	
8500	<b>Total comprehensive income</b>		\$			608,102		9	\$			328,016		5	
9750	Total basic earnings per share	6(31)	\$					2.23	\$					1.23	
	Diluted earnings per share														
9850	Total diluted earnings per share	6(31)	\$					2.23	\$					1.23	

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

(In Thousands of New Taiwan Dollars)

	Note	Retained earnings					Other equity		Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences arising on translation of foreign operations	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	
<u>2021</u>									
Balance at January 1, 2021		\$ 2,545,175	\$ 1,906,479	\$ 660,162	\$ 48,236	\$ 1,227,622	(\$ 42,421 )	\$ 7,305	\$ 6,352,558
Net income		-	-	-	-	341,823	-	-	341,823
Other comprehensive income (loss), net of income tax	6(22)	-	-	-	-	5,160	( 2,715 )	( 16,252 )	( 13,807 )
Total comprehensive income		-	-	-	-	346,983	( 2,715 )	( 16,252 )	328,016
Appropriations of earnings in 2020	6(21)								
Legal reserve		-	-	29,489	-	( 29,489 )	-	-	-
Cash dividends		-	( 72,675 )	-	-	( 234,794 )	-	-	( 307,469 )
Cash capital increase	6(19)(20)	250,000	2,000,000	-	-	-	-	-	2,250,000
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(22)	-	-	-	-	6,271	-	( 6,271 )	-
Balance at December 31, 2021		\$ 2,795,175	\$ 3,833,804	\$ 689,651	\$ 48,236	\$ 1,316,593	(\$ 45,136 )	(\$ 15,218 )	\$ 8,623,105
<u>2022</u>									
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
Net income		-	-	-	-	623,958	-	-	623,958
Other comprehensive income (loss), net of income tax	6(22)	-	-	-	-	13,420	37,978	( 67,254 )	( 15,856 )
Total comprehensive income		-	-	-	-	637,378	37,978	( 67,254 )	608,102
Appropriations of earnings in 2021	6(21)								
Legal reserve		-	-	35,326	-	( 35,326 )	-	-	-
Special reserve		-	-	-	12,118	( 12,118 )	-	-	-
Cash dividends		-	-	-	-	( 381,541 )	-	-	( 381,541 )
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(22)	-	-	-	-	5,528	-	( 5,528 )	-
Balance at December 31, 2022		\$ 2,795,175	\$ 3,833,804	\$ 724,977	\$ 60,354	\$ 1,530,514	(\$ 7,158 )	(\$ 88,000 )	\$ 8,849,666

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

(In Thousands of New Taiwan Dollars)

	Note	January 1 to December 31, 2022	January 1 to December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		\$ 763,082	\$ 401,001
Adjustments for:			
Provided by (used in) operating activities			
Depreciation	6(8)(28)	598,236	526,139
Depreciation-Right-of-use assets	6(9)(28)	11,989	10,391
Amortization	6(28)	4,851	5,971
Interest expenses	6(27)	105,616	71,809
Interest expenses-Lease liabilities	6(9)(27)	4,006	3,997
Interest income	6(24)	( 2,345 )	( 482 )
Expected credit loss	12(2)	15,148	4,164
Share of subsidiaries, associates and joint ventures losses accounted for using equity method	6(7)	( 17,090 )	8,172
Gains on disposal of property, plant and equipment	6(26)	( 7,954 )	( 5,010 )
Unrealized sales loss (profit)		42	( 3,220 )
Unrealized exchange loss (profit)		( 67,654 )	36,514
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		25,442	( 15,600 )
Accounts receivable		( 493,369 )	( 418,823 )
Accounts receivable-related-parties		( 17,777 )	( 19,096 )
Other receivables		( 105,713 )	( 26,925 )
Inventories		( 273,285 )	( 1,005,878 )
Other current assets		60,879	( 94,957 )
Other non-current assets		-	1
Changes in liabilities			
Notes payable (including related-parties)		( 396,629 )	496,499
Accounts payable (including related-parties)		( 139,874 )	520,825
Other payables		( 145,137 )	282,403
Other current liabilities		( 8,723 )	( 53,542 )
Other non-current liabilities		3,585	( 1,123 )
Cash generated from (used in) operations		( 82,674 )	723,230
Interest received		1,872	483
Interest paid		( 108,535 )	( 72,493 )
Income tax paid		( 54,833 )	( 42,488 )
Net cash generated from (used in) operating activities		( 244,170 )	608,732

(continue in next page)

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

(In Thousands of New Taiwan Dollars)

Note	January 1 to December 31, 2022	January 1 to December 31, 2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets measured at fair value through other comprehensive income- current	\$ -	(\$ 1,293 )
Disposal of financial assets measured at fair value through other comprehensive income- current	34,605	3,907
Decrease (Increase) in financial assets at amortized cost	( 153,809 )	55,233
Acquisition of financial assets measured at fair value through other comprehensive income- non-current	( 4,519 )	( 5,401 )
Acquisition of investments accounted for using equity method	( 5,000 )	( 79,925 )
Dividends received from investments accounted for using equity method	2,441	1,221
Acquisition of property, plant and equipment 6(32)	( 1,234,042 )	( 1,312,904 )
Disposal of property, plant and equipment	8,332	43,481
Acquisition of intangible assets	( 6,111 )	( 4,839 )
Decrease (Increase) in refundable deposits	( 999 )	4,959
Net cash used in investing activities	( 1,359,102 )	( 1,295,561 )
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in short-term borrowings 6(33)	794,943	( 898,390 )
Increase (Decrease) in short-term notes and bills payable 6(33)	( 200,000 )	660,000
Repayment of long-term loans 6(33)	( 1,967,998 )	( 6,286,414 )
Proceeds from long-term loans 6(33)	3,512,287	5,423,302
Repayment of the principal portion of lease liabilities 6(33)	( 10,360 )	( 12,169 )
Cash dividends 6(21)	( 381,541 )	( 307,469 )
Cash capital increase 6(19)	-	2,250,000
Net cash generated from financing activities	1,747,331	828,860
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	72,809	( 52,970 )
NET INCREASE IN CASH AND CASH EQUIVALENTS	216,868	89,061
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	776,622	687,561
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 993,490	\$ 776,622

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan



Hota Industrial Manufacturing Company Limited

Individual Financial Statement Notes

2022 and 2021 January 1 to December 31

(In Thousands of New Taiwan Dollars)

(Unless otherwise specified)

1. History of the Company

Hota Industrial Manufacturing Company Limited (the “Company”), a Republic of China (R.O.C.) corporation, was incorporated in January, 1973 and started to operate at the same time. The Company is a dedicated foundry in the manufacturing and selling gear wheels, shafts and various transmission parts like for automobile, motorbike, agricultural machinery, tooling machinery, etc. In September 2001, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

2. Approval date and procedures of the financial statements

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

3. Application of newly issued and revised standards and interpretations

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

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

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

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

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

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

4. Summary of significant accounting policies

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

(1) Statement of compliance

The individual financial statements of the Company and subsidiaries have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports”.

(2) Basis for preparation

1. Except below key items, these individual financial statements have been prepared on the historical cost basis:

- (1) The calculation of financial assets is through other comprehensive profit and loss calculation of fair value measurement.
- (2) Determined welfare liabilities are recognized as the net amount of the present value of the definite welfare obligations after the deduction of retirement fund assets.

2. The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

(3) Foreign currency translations

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

consolidated financial statements are presented in New Taiwan Dollar.

1. Foreign currency transaction and balance

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

2. Conversion of foreign operations

- (1) Functional currency and expression currency are different from all group entities, associated enterprises and joint agreements, and their operating results and financial status are converted into expression currency as following:
  - A. The assets and liabilities expressed in each asset liability table are converted at the closing exchange rate on the asset liability table date;
  - B. The income and expenses expressed in each consolidated income statement are converted at the current average exchange rate;
  - C. All conversion differences resulting from the conversion are recognized as other consolidated profits and losses.
- (2) When the foreign operating organization that is part of the disposition or sale is a subsidiary company, the accumulated exchange difference recognized as other comprehensive gains and losses will be re-attributed to non-controlling interests of the foreign operating organization. However, even if the Company still retains the partial rights and interests of the former subsidiary, it has lost the control of the foreign operating agency’s subsidiary company, it will deal with the entire right and interest of the foreign operating agency.

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

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

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

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

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

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

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

(5) Cash equivalents

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

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

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

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

1. Regarding the non-cancellable option at the time of initial recognition, the fair value changes of the investment of equity instruments not holding for trading is reported to other comprehensive income. Or at the same time, it meets the following investment conditions:
  - (1) Holding the financial assets under the business model for the purpose of collecting contractual cash flow and selling.
  - (2) Cash flow that the financial assets generate during the specific contract terms is entirely for the payment of the principal amount and for the circulation the interest and interest of the principal amount.
2. The Company adopts trading day accounting for financial assets that are measured at fair value through other comprehensive income in compliance with customary transactions.
3. The Company initially recognizes the fair value of financial assets, plus the transaction costs measured at fair value subsequently:
  - (1) Changes in the fair value of equity tools are recognized in other comprehensive profits and losses, and are recognized before they are to be delisted Cumulative gains and losses listed in other comprehensive gains and losses or subsequent losses and losses cannot be reclassified to gains & losses, and transferred to retained earnings. When the right to receive dividends is confirmed, the economic benefits related to the dividends are likely to flow in. And then the amount of dividends can be reliably measured, the Group recognizes dividend income in the profit and loss.
  - (2) Changes in the fair value of debt instruments are recognized in other comprehensive profit and loss, impairment losses, interest income and foreign currency exchange gains and losses before delisting are recognized in profit and loss. And when delisting, accumulated gains or losses previously recognized in other comprehensive profit and loss would re-classify as profit and loss instead of equity.

(8) Financial assets at amortized cost

1. Refers to those who meet the following conditions at the same time:
  - (1) Holding the financial asset under the operating model for the purpose of obtaining the total cash flow from the contract.

- (2) Cash flow that the financial assets generate during the specific contract terms is entirely for the payment of the principal amount and for the circulation the interest and interest of the principal amount.
  2. The Company adopts trade-day accounting for financial assets that comply with transaction conventions which are measured at amortized cost after sale.
  3. At the time of initial recognition, the company calculates the transaction as a cost measurement based on its fair value, and subsequently adopts the effective interest method to recognize the interest income during the circulation period according to the amortization procedure and recognition of the impairment loss. In addition, when listing, the profit or loss is recognized in profit and loss.
  4. The Company holds fixed deposits that do not meet the cash equivalents. Due to the short holding period, the effect of discounting is not significant, and it is measured by the amount of investment.
- (9) Accounts and notes receivable
1. Refers to the accounts and notes receivable that have been unconditionally received in exchange for the right to the value of the transfer of goods or services in accordance with the contract.
  2. Short-term accounts and notes receivable that are interests unpaid, which the discount has little impact. The Company uses the original invoice amount to measure the amount.
  3. The business model of the Company's expected sale of accounts receivable is to collect contractual cash flow and sell, and then to be measured at fair value, and changes are recognized as other comprehensive income.
- (10) Financial asset impairment
- On every day of the balance sheet of assets, the Company invests in debt instruments measured at fair value through other comprehensive gains and losses & receivables from financial assets measured at amortized cost and part of the account that contains major financial affairs. After considering all reasonable and corroborative information (including forward-looking information), for those whose credit risk has not increased significantly since the initial recognition, the amount of loss will be adjusted against the expected credit loss for 12 months. For those whose credit risk has increased significantly since the initial recognition, the credit loss balance shall be adjusted against the loss based on the expected credit loss amount during the duration. Regarding accounts receivable or contract assets that do not include major components in financial statements, the balance of losses is offset against the amount of expected credit losses during the duration.
- (11) Derecognition of financial assets
- The Company derecognizes a financial asset only when situation happens as follow:
1. The contractual rights to the cash flows from the financial asset expire.
  2. The contractual rights to the cash flows from the financial asset have been transferred and all the risks and rewards of the financial asset ownership have been removed.
  3. The contractual rights to the cash flows from the financial asset have been transferred and the Group doesn't reserve the control of the financial asset.
- (12) Lease transaction as a lessor, lease account receivable / operating lease
- Rent income from operating lease excluding any incentive given to the lessee, is recognized on a straight-line basis over the term of the lease.
- (13) Inventory
- Inventories are recognized at the lower of cost or net realizable value where cost is calculated by the weighted average method. The costs of finish goods and work-in-process include raw material, direct labor, other direct costs, and manufacturing cost related to production apportioned according to normal production capacity, except the cost of financing. When comparing the cost and

the net realizable value is lower, the item-by-item comparison method is adopted. The net realizable value of the inventory is determined mainly based on the price estimated during the normal business process deduct cost assumptions of future demand and related variable sales expense.

(14) Investments accounted for using equity method / associates / joint ventures

1. Subsidiary refers to an entity under the command of the Company (include structural entity). When the Company is exposed to variable remuneration from the entity's participation or has rights to such variable remuneration, and when it has the ability to influence the remuneration through the power of the entity, the Company controls the entity.
2. The unrealized gains and losses arising from transactions between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
3. The company recognizes the amount of profit and loss obtained by the subsidiary as the current profit and loss, and the amount of other comprehensive income after the acquisition is recognized as other comprehensive income. If the company recognizes the loss of a subsidiary is equal to or exceeds the equity in the subsidiary, the Company continues to recognize the loss based on the shareholding ratio.
4. If the change in the shareholding of the subsidiary company does not lead to loss control (transaction with non-controlling power), it will be treated as an equity transaction, which means that it will be regarded as a transaction with the owner. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly connected and recognized as equity.
5. An associate is an entity over which the Company has significant influence and that is not a subsidiary. Usually, the Company owns directly or indirectly over 20% of the voting right. Under the equity method, an investment in an associate is initially recognized at its cost of acquisition.
6. The Company recognizes the share of income after acquisition as income of current period, and the share of other comprehensive income after acquisition as other comprehensive income. The share of loss of any associate has equal or exceed the Company's equity including any other unsecured receivables, the Company shall not recognize any further loss, except statutory obligation, presumptive obligation, or payables for the associate.
7. Equity changes against non-income or other comprehensive income without influence on the shareholding percentage of the associate, the Company shall recognize the share of equity changes as capital reserve.
8. The unrealized gain/loss of the transaction between the Company and the association has been eliminated by the adjustment to the share of its equity except clear evidence indicates the assets transferred have been impaired. The accounting policies of the association have been adjusted for sure and consistent with that of the Company.
9. 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 value of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to "Capital reserve" and "Investments Accounted for Using Equity Method." If the Company's investment percentage is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income related to that associate shall be reclassified to profit or loss on the same basis.
10. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current profit and loss and other comprehensive income of the individual financial report shall be the same as the current profit and loss and other comprehensive income in the financial report prepared on a consolidated basis attributable to the owners of the parent company. The reported owner's equity shall be the same as the equity attributable to the owner of the parent company in the financial report prepared on the basis of the merger.

(15) Property, plant and equipment

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

Estimated Useful Lives of Assets are listed below:

Buildings and Construction (including ancillary works)	6	~	50	years
Mechanical equipment	4	~	26	years
Transportation equipment	3	~	16	years
Utility equipment	5	~	16	years
Other equipment	2	~	25	years

(16) Lease transaction as a Lessee – right-of-use assets / lease liabilities

1. The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease properties. Payments of lease contracts for short-term leases (leases of machinery and equipment and others) and low value assets leases are recognized as expenses on a straight-line basis during the lease period.
2. Lease liabilities are measured at the present value of the unpaid lease payments discounted by the lessee's incremental borrowing rates at the commencement date of the lease. Lease payments include:  
Fixed payments, deduct collectable lease incentives.  
Thereafter, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease period. When the lease period or lease payment changes due to non-contract modification, the Group re-measures the lease liabilities with a corresponding adjustment to the right-of-use assets.
3. Right-of-use assets are measured at cost on the commencement date of the lease, where the cost including:
  - (1) The initial measurement of lease liabilities;
  - (2) Any lease payment at or before the commencement date;
  - (3) Any initial direct cost happened on the asset.Subsequent measurement is calculated as cost less accumulated depreciation against whether the estimated useful lives of assets or the

- lease terms is earlier. When the lease liabilities were remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.
4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.
- (17) Investment properties  
Initial recognition of investment properties shall be recognized at cost of acquisition, and subsequent measurement shall be presented at cost model.
- (18) Intangible assets  
1. Computer software  
Computer software is recognized at the cost and straight-line amortized according to its estimated useful life of 1 to 3 years.  
2. Intangible assets, such as Royalties for technology transfer, are straight-line amortized on their estimated useful life of one year.
- (19) Impairment of non-financial assets  
The Company estimates the recoverable amount of assets that show signs of impairment on the date of the balance sheet. When the recoverable amount is lower than its book value, the impairment loss is recognized. Recoverable amount refers to the higher value of an asset at fair value minus the cost of disposal or its value use. When there is none or reduction of impairment in the assets recognized in the previous year, the impairment loss shall be reversed, but the book value increment of the asset by the reverse of the impairment loss shall not exceed the book value of the asset which was assumed no impairment and was deducted depreciation or amortization.
- (20) Loan  
Loan refers to long-term and short-term loans borrowed from banks. The Company measures its fair value minus transaction costs at initial recognition. Subsequently, for any difference between the price after deducting transaction costs and the redemption value, the interest expenses during the circulation period use the effective interest method to recognize profit and loss in the amortization procedure.
- (21) Accounts and notes payable  
1. Note payable refers to debts arising from the purchase of raw materials, commodities or labor services on credit and arising from business or non-business factors.  
2. Due to the discount has little effect, short-term accounts payables and note payables that interest unpaid, the Company uses the initial invoice amount to measure.
- (22) Derecognition of financial liabilities  
When the contractual obligations are fulfilled, canceled, or expired, the Company will derecognize the financial liabilities.
- (23) Employee benefits  
1. Short-term employee benefits  
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as an expense in exchange for service rendered by employees.  
2. Retirement benefits  
(1) Defined contribution plans  
For defined contribution plans, the amount of the retirement fund on the basis of employee's responsibilities is recognized as the cost of the benefit plan of the current period.  
(2) Defined benefit plans  
A. The net benefit liabilities under the defined benefit plan are calculated by discounting the number of future benefits the employee earned now or in the past, and the present value of



defined benefit liabilities on the date of the balance sheet deduct the fair value of the beneficial asset. The net benefit liabilities are determined by the actuary's calculations every year using the Projected Unit Credit Method. The discount rate refers to the market rate of return of government bonds (on the balance sheet date).

B. Actuarial profit and loss arising from the defined benefit plan is recognized in other comprehensive income of the current period.

3. Remuneration to employees, directors and supervisors

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

(24) Share-based payment

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

(25) Income tax

1. Income taxes include current and deferred income taxes. Except for the income tax items included in other comprehensive income or equity, which are separately listed in other comprehensive income or directly listed in the Equity, the income tax is recognized in the income.
2. The Company calculates the current income tax based on the tax rate that has been legislated on the balance sheet date of the country where it operates and generates taxable income. The management regularly evaluates the status of income tax declarations with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. Income tax of retained earnings is levied in accordance with the Income Tax Act. In the next year after the subsequent earnings are generated, after the shareholders' meeting ratified the earning distribution proposal, the distribution of actual earnings will be confirmed and the retained earnings income tax expenses will be recognized.
3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the tax base of assets and liabilities and their book amounts in the consolidated balance sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction and does not affect accounting profits or accounting at the time of the transaction. Tax income (taxable loss) is not recognized. If the temporary difference caused by investing in a subsidiary company, the Company can control the timing of the reversion of the temporary difference, and the temporary difference will not be recognized if it is likely that it will not revert in the foreseeable future. Deferred income tax adopts the tax rate (and Tax Acts) that has been enacted on the balance sheet date and is expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized within the scope where temporary differences are

likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are reassessed on each balance sheet date.

5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is statutory enforcement power to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or by different taxpayers but each entity intends to the deferred income tax assets and liabilities are offset against each other when the net basis is settled or the assets and liabilities are realized at the same time.

(26) Shares

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

(27) Dividend distribution

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

(28) Revenue recognition

The Company manufactures and sells gear wheels, shafts, and various transmission components products. Revenue is the fair value of the received or receivable for the sales of goods to customers outside the Company in normal business activities, expressed in deducting sales tax, sales returns, quantity discounts, and discounts. Revenue is recognized when the control power of the product is transferred to the customer, which means when the product is delivered to the customer and the Company has no uncompleted contractual obligations that may affect the customer's acceptance of the product. When the control of the product has been transferred to the customer, the Company neither continues to participate in the management of the product nor maintains effective control over the product, and the customer accepts the product according to the sales contract, and there is objective evidence showing that all acceptance terms have been met, the delivery of the product assures.

(29) Government grant

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

5. Significant sources of uncertainty in major accounting judgments, assumptions and estimates

When the Company prepared this consolidated financial report, the management

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

(1) Major accounting estimates and assumptions

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

The Company's book value of inventory is \$2,955,201 thousand for the year ended December 31, 2022.

6. Explanation of important accounting subjects

(30) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash	\$ 340	\$ 300
Demand deposit	629,175	535,483
Foreign currency deposit	363,975	240,839
Total	<u>\$ 993,490</u>	<u>\$ 776,622</u>

1. The Company maintains good credit quality with financial institutions and interacts with many financial institutions to disperse credit risks. The possibility of defaults is expected to be very low.

2. The Company has not provided cash or cash equivalents as pledges.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current:		
Equity instruments		
Listed company stocks	\$ 51,306	\$ 80,383
Evaluation adjusted	( 9,498)	( 2,162)
Total	<u>\$ 41,808</u>	<u>\$ 78,221</u>
Non-current:		
Equity instruments		
Non-listed, non-OTC-listed, emerging stocks	\$ 87,503	\$ 82,984
Evaluation adjusted	( 27,392)	( 28,671)
Total	<u>\$ 60,111</u>	<u>\$ 54,313</u>

1. The Company chose to classify the strategic equity investments as financial assets measured at fair value through other comprehensive income, the fair

values of these investments are as following:

	<u>2022</u>	<u>2021</u>
Financial assets measured at fair value through other comprehensive income		
Fair value	\$ 101,919	\$ 132,534

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

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

	<u>2022</u>	<u>2021</u>
<u>Equity investments measured at fair value through other comprehensive income</u>		
Changes in fair value recognized in other comprehensive income	(\$ 529)	(\$ 582)
Derecognition of cumulative gains transferred to retained earnings	( 5,528)	( 6,271)
Total	(\$ 6,057)	(\$ 6,853)
Dividend revenue recognized in profit or loss		
Holding as of December 31, 2022	\$ 2,441	\$ 2,941

4. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Company outstanding FVTOCI financial assets on December 31, 2022 and 2021 were their book value.

5. Risk and fair value information of the FVTOCI financial assets, please refer to notes 12(2) and 12(3) for details.

(32) Financial assets at amortized cost

<u>Item</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current item:		
Time Deposits (over 3 months)	\$ 155,095	\$ 622
Restricted deposit	835	1,499
	\$ 155,930	\$ 2,121

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

	<u>2022</u>	<u>2021</u>
Financial assets at amortized cost		
	\$ 155,930	\$ 2,121

2. The Company provides time deposits as pledge guarantees, please refer to Note 8 for details.  
(33) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ -	\$ 25,442
Accounts receivable	\$ 2,940,499	\$ 2,488,092
Less: Loss allowance	( 21,486)	( 15,486)
	<u>\$ 2,919,013</u>	<u>\$ 2,472,606</u>

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

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not overdue	\$ 2,401,752	\$ -	\$ 2,182,357	\$ 25,442
Within 120 days	361,522	-	255,755	-
121-240 days	139,713	-	32,338	-
241-360 days	30,126	-	7,614	-
Over 361 days	<u>7,386</u>	<u>-</u>	<u>10,028</u>	<u>-</u>
	<u>\$ 2,940,499</u>	<u>\$ -</u>	<u>\$ 2,488,092</u>	<u>\$ 25,442</u>

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

2. As of December 31, 2022 and 2021, and January 1, 2021, the balance of account receivable (including notes receivable) between the Company and its customers was \$2,940,499 thousand, \$2,513,534 thousand and 2,063,662 thousand, respectively.
3. The Company signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of December 31, 2022 and 2021, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was \$830,834 thousand and \$734,618 thousand, respectively. On December 31, 2022, the valuation adjustment recognized in FVTOCI financial assets was \$40,860 thousand and \$9,046 thousand, respectively; in addition, accumulated other comprehensive income reclassified to profit or loss was \$11,574 thousand and \$6,975 thousand, respectively. For information about the transfer of financial assets, please refer to Note 6(5).
4. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Company's outstanding notes and accounts receivable on December 31, 2022 and 2021 were the book value of notes and accounts receivable in each installment, respectively.
5. For information on the credit risk information of accounts and notes receivable, please refer to Note 12(2).
- (34) Transfer of financial assets

Delist all financial assets transferred

1. The Company signed an account receivable factoring contract with O-Bank in January 2018. According to the contract, when the Company sells account receivable to O-Bank, the bank prepays approximately 90% of AR to the Company, 10% remains will be paid to the Company until the bank collects all the AR. The Company waives the risk of uncollectible accounts receivable but bears the burden by commercial disputes. The Company neither

provides collaterals nor any continuous participation in all AR transferred, so the Company has already delisted the accounts receivable sold.

2. As of December 31, 2022 and 2021, the Company has delisted accounts receivable, and the relevant information unexpired is as follows:

December 31, 2022

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

December 31, 2021

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

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

(35) Inventories

December 31, 2022

	<u>Cost</u>	<u>Allowance for price reduction</u>	<u>Book value</u>
Raw material	\$ 811,143	(\$ 15,027)	\$ 796,116
Work in process	1,291,142	( 24,424)	1,266,718
Finish goods	953,618	( 61,251)	892,367
Total	\$ 3,055,903	(\$ 100,702)	\$ 2,955,201

December 31, 2021

	<u>Cost</u>	<u>Allowance for price reduction</u>	<u>Book value</u>
Raw material	\$ 820,685	(\$ 12,789)	\$ 807,896
Work in process	1,117,198	( 20,786)	1,096,412
Finish goods	829,735	( 52,127)	777,608
Total	\$ 2,767,618	(\$ 85,702)	\$ 2,681,916

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

	<u>2022</u>	<u>2021</u>
Cost of inventory sold	\$ 5,389,097	\$ 4,700,373
Loss allowance of inventory write-downs and obsolescence loss	15,000	11,500
Income of the sale of scraps and obsoletes (	91,340) (	82,974)

Loss (Gian) on inventory physical count	303	(15)
	\$ 5,313,060	\$ 4,628,884

(36) Investments accounted for using equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subsidiaries:		
Hozuan Investment Company Limited	\$ 261,624	\$ 283,620
CAPTAIN HOLDING CO., LTD.	196,281	151,788
Wuxi Hota Precision Gear Company Limited	-	30,838
Howin Precision Company Limited	87,566	81,141
HOTATECH, INC.	252,350	229,841
Juda Intelligent Technology	4,997	4,983
Hefu Construction Co., Ltd.	66,871	67,746
Helun Precision Co., Ltd.	4,993	-
Associates:		
KAO FONG MACHINERY CO., LTD.	14,132	14,998
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	2,142	4,437
LING WEI CO., LTD.	44,919	44,396
	939,611	917,524
Less: Accumulated loss	(3,736)	(3,736)
	\$ 935,875	\$ 913,788

1. Subsidiaries

For information about the Company's subsidiary companies, please refer to Note 4(3) of the 2022 consolidated financial report of the Company.

2. Associates

The book value of the Company's non-significant Associations and the share of their business results for each of the companies is as follows:

On December 31, 2022 and 2021, the book value of the Company's non-significant associates was \$61,193 thousand and \$63,830 thousand, respectively.

	<u>2022</u>	<u>2021</u>
Share of associates income accounted for using equity method	\$ 555	\$ 5,195
Other comprehensive income (net of tax)	(31,029)	(12,438)
Total comprehensive income in the current period	(\$ 30,474)	(\$ 7,243)

(1) The Company holds less than 20% of the shares of Kao Fong Machinery Co., Ltd., as the Company is able to influence its financial and operational policies, it is classified as an associate of the Company.

(2) The Company's investment in Kao Fong Machinery Co., Ltd. has a public quotation, the details are as follows:

	<u>2022</u>	<u>2021</u>
Investments accounted for using equity method		
Fair value	<u>\$ 8,640</u>	<u>\$ 10,067</u>

(3) The Company has assessed Taiwan Pyrolysis & Energy Regeneration Corp. has ceased business and has no actual operations. Therefore, the entire investment is listed as an impairment loss of \$3,736 thousand.

3. The details of share of subsidiaries and associates income accounted for using equity method are as follows:

<u>Investees</u>	<u>Investment income (loss)</u>	
	<u>2022</u>	<u>2021</u>
Hozuan Investment Company Limited	\$ 7,966	(\$ 5,485)
CAPTAIN HOLDING CO., LTD.	4,712	( 6,861)
Wuxi Hota Precision Gear Company Limited	-	( 14,501)
Howin Precision Company Limited	6,649	( 2,250)
HOTATECH, INC.	( 1,923)	16,428
Juda Intelligent Technology	13	( 11)
Hefu Construction Co., Ltd.	( 875)	( 254)
Helun Precision Co., Ltd.	( 7)	-
KAO FONG MACHINERY CO., LTD.	369	( 281)
LING WEI CO., LTD.	2,966	3,969
TAKAWA SEIKI, INC.	( 2,780)	1,074
	<u>\$ 17,090</u>	<u>(\$ 8,172)</u>

The above share of subsidiaries and associates income accounted for using equity method is based on the evaluation of the financial statements of the investee companies that have been reviewed by the accountant during the same period.

(37) Property, plant and equipment

	<u>2022</u>				
<u>Cost</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 1,741,857	\$ 6,014	\$ -	\$ 205,129	\$ 1,953,000
Buildings	4,177,825	44,564	-	81,490	4,303,879
Machinery equipment-for company use	8,012,372	558,145	( 77,265)	606,488	9,099,740
Machinery equipment-for leasing	-	-	-	18,150	18,150
Other equipment	804,446	182,239	( 44,383)	11,540	953,842
Projects uncomplete	<u>743,439</u>	<u>466,887</u>	<u>-</u>	<u>( 717,668)</u>	<u>492,658</u>



Subtotal	<u>\$ 15,479,939</u>	<u>\$ 1,257,849</u>	<u>(\$ 121,648)</u>	<u>\$ 205,129</u>	<u>\$ 16,821,269</u>
<u>Accumulated depreciation</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Buildings	\$ 824,947	\$ 107,391	\$ -	\$ -	\$ 932,338
Machinery equipment-for company use	2,720,503	364,802	( 77,265)	200	3,008,240
Machinery equipment-for leasing	-	-	- ( 200)	( 200)	( 200)
Other equipment	364,602	126,043	( 44,005)	-	446,640
Subtotal	<u>\$ 3,910,052</u>	<u>\$ 598,236</u>	<u>(\$ 121,270)</u>	<u>\$ -</u>	<u>\$ 4,387,018</u>
Total	<u>\$ 11,569,887</u>				<u>\$ 12,434,251</u>

	<u>2022</u>				
<u>Cost</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Land	\$ 1,683,566	\$ 860	\$ -	\$ 57,431	\$ 1,741,857
Buildings	3,221,064	153,252	( 2,106)	805,615	4,177,825
Machinery equipment	7,382,212	521,035	( 68,086)	177,211	8,012,372
Other equipment	680,570	184,558	( 60,682)	-	804,446
Projects uncomplete	1,020,006	740,718	( 34,284)	( 983,001)	743,439
Subtotal	<u>\$ 13,987,418</u>	<u>\$ 1,600,423</u>	<u>(\$ 165,158)</u>	<u>\$ 57,256</u>	<u>\$ 15,479,939</u>
<u>Accumulated depreciation</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending balance</u>
Buildings	\$ 733,199	\$ 93,047	(\$ 1,299)	\$ -	\$ 824,947
Machinery equipment	2,451,203	334,552	( 65,252)	-	2,720,503
Other equipment	326,198	98,540	( 60,136)	-	364,602
Subtotal	<u>\$ 3,510,600</u>	<u>\$ 526,139</u>	<u>(\$ 126,687)</u>	<u>\$ -</u>	<u>\$ 3,910,052</u>
Total	<u>\$ 10,476,818</u>				<u>\$ 11,569,887</u>

1. The major components of the buildings of the Company, including structure and elevators, are depreciated for 50 years and 6 years respectively.
2. For information of property, plant and equipment pledged as collaterals, please refer to Note 8 in detail.
3. Capitalization amount of interest expense, and interest rate range for property, plant and equipment:

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

(38) Lease transaction as a Lessee

1. The subject assets of the Company lease include land, buildings, official vehicles, etc. The lease period usually ranges from 1 to 38 years. A lease contract is an individual negotiation

and contains a variety of different terms and conditions. Except that the leased assets cannot be used as collateral for loans, there are no other restrictions.

2. The lease period of the photocopiers leased by the Company shall not exceed 12 months.
3. The book values of the right-to-use assets and the depreciation expenses recognized information are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Book value</u>	<u>Book value</u>
Land	\$ 239,493	\$ 242,514
Buildings	11,718	8,010
	<u>\$ 251,211</u>	<u>\$ 250,524</u>
	<u>2022</u>	<u>2021</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 7,043	\$ 6,929
Buildings	4,946	3,462
	<u>\$ 11,989</u>	<u>\$ 10,391</u>

4. The increase in the right-to-use assets of the Company in the year 2022 and 2021 was \$8,654 thousand and \$3,817 thousand, respectively.
5. According to the evaluation of the lease contract modifications, an increase in right-of-use assets and leasing assets in the year ended December 31, 2022 was \$4,023 thousand.
6. Information on the profit and loss of lease contracts are as follows:

	<u>2022</u>	<u>2021</u>
<u>Items affecting current profit or loss</u>		
Lease liabilities Interest expenses	\$ 4,006	\$ 3,997
Expenses for short-term lease contracts	3,851	3,449
Lease modification benefits	-	57

7. Total lease cash outflows of the Company in 2022 and 2021 were \$18,217 thousand and \$19,615 thousand, respectively.

(39) Lease transaction as a Lessor

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

	<u>2022</u>	<u>2021</u>
Rent income	\$ 2,249	\$ 4,016
Rent income recognized as variable lease payments	2,942	1,616

3. The analysis of the expiry date of payment of the Company's operating lease is as follows:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>
Year 2021	2,249	Year 2021	\$ 4,016
Year 2022	406	Year 2022	3,332
Year 2023	254	Year 2023	202
Year 2024	254	Year 2024	50
Year 2025	203	Year 2025	50
Year 2026	50	Year 2026	50
After Year 2027	450	After Year 2027	500
Total	<u>\$ 3,866</u>	Total	<u>\$ 8,200</u>

(40) Investment properties

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

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

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

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

(41) Other non-current assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepayment for equipment	\$ 52,750	\$ 34,544
Refundable deposits	2,644	1,645
Prepayment for Land	-	207,240
	<u>\$ 55,394</u>	<u>\$ 243,429</u>

(42) Short-term borrowings

<u>Type of loan</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loans			
Secured loan	\$ 130,000	1.30%~1.43%	Machinery equipment
Credit loan	1,617,359	1.11%~1.94%	
	<u>\$ 1,747,359</u>		

<u>Type of loan</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collaterals</u>
Bank loans			
Secured loan	\$ 120,000	0.90%	Land, buildings and machinery equipment
Credit loan	827,263	0.59%~1.11%	
	<u>\$ 947,263</u>		

(43) Short-term notes and bills payable

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

(44) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary payable	\$ 113,233	\$ 91,637
Remuneration to employees and directors payable	4,500	12,100
Equipment payment payable	208,354	168,452
Freight payable	98,452	239,534
Other expenses payable	267,044	284,008
	<u>\$ 691,583</u>	<u>\$ 795,731</u>

(45) Long-term loans

Type of loan	Loan period and repayment	Interest rate range	Collaterals	December 31, 2022
Syndicated secured loans-Land Bank	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.96%~2.01%	Plant, office buildings and machinery equipment	\$ 1,900,000
Secured loan	Sequentially due by May 30, 2039 (repayment in installments).	0.35%~1.96%	Land, buildings and machinery equipment	2,941,743
Credit loan	Sequentially due by March 24, 2026 (repayment in installments).	0.35%~1.90%	-	2,228,462
				7,070,205
Less: Long-term loans due within one year or business cycle (classified as other current liabilities)				( 604,845)

Less:			
Government grant discount			
			( 49,669)
			<u>\$ 6,415,691</u>
Type of loan	Loan period and repayment range	Interest rate	December 31,
Syndicated secured loans-	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.79%	2021
E.Sun Bank			\$ 850,000
Secured loan	Sequentially due by May 30, 2039 (repayment in installments).	0.00%~1.34 %	2,431,193
Credit loan	Sequentially due by July 18, 2026 (repayment in installments).	0.00%~1.21 %	
		-	2,244,723
			5,525,916
Less: Long-term loans due within one year or business cycle(classified as Other current liabilities)			
			( 860,341)
Less: Government grant discount			
			( 50,855)
			<u>\$ 4,614,720</u>

- 1.(1) On March 24, 2022, the Company signed a syndication loan contract with a group of banks formed by Taiwan Land Bank and E.Sun Bank, etc., with a total credit line of \$5,000,000 thousand, and Taiwan Land Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2022, the allocated amount was \$2,860,000 thousand, and the undrawn amount was \$2,140,000 thousand.

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

A. The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line and amount of the short-term commercial papers payable of the credit line)] shall keep at 100% (inclusive) or more.

B. The financial liabilities ratio [ (Short-term loans+short-term commercial papers payable + one-year maturity amount of long-term loans+corporate bonds+long-term loan)/tangible assets net value] shall keep below 200% (inclusive).

C. Tangible assets (net value minus intangible assets): shall not less than \$4 billion.

- (2) During the credit period and the provisions of the syndication loan contract, the company must follow specific financial ratios at the end of the year and half of the year, such as the current ratio, debt to equity ratio, and interest protection multiple requirements. As of December 31, 2022, the Company has not violated the above restrictions.
2. On July 18 and December 13, 2019, the Company signed a loan contract at low-interest rate with First Bank to enrich mid-term working capital and for payments of machinery equipment purchases. The loan interest is calculated and paid monthly at the two-year fixed deposit flexible interest rate of Chunghwa Post Co., Ltd., with an annual interest rate of 0.1%, and will be adjusted when the pricing interest rate is changed.

(46) Government grant

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

(47) Pension

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The present value of net defined benefit obligation	\$ 165,299	\$ 175,877
Fair value of project assets	( 117,387)	( 111,543)
Net defined benefit liabilities	<u>\$ 47,912</u>	<u>\$ 64,334</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of project assets</u>	<u>Net defined benefit liabilities</u>
2022			
Balance at January 1	\$ 175,877	(\$ 111,543)	\$ 64,334
Current service cost	566	-	566
Interest expenses	<u>1,157</u>	<u>( 736)</u>	<u>421</u>

(income)

	<u>177,600</u>	( <u>112,279</u> )	<u>65,321</u>
Remeasurement:			
Planned asset	-	(8,626)	(8,626)
earning			
(excluding money			
in interest income			
or expenses)			
Effects of	1	-	1
changes in			
demographic			
assumptions			
Effects of	(5,872)	-	(5,872)
changes in			
financial			
assumptions			
Effects of plan	-	-	-
reduction			
Adjustment by	<u>(495)</u>	<u>-</u>	<u>(495)</u>
experience			
	( <u>6,366</u> )	( <u>8,626</u> )	( <u>14,992</u> )
Provision to the	-	(2,417)	(2,417)
pension fund			
Pension payment	( <u>5,935</u> )	<u>5,935</u>	<u>-</u>
Balance at	<u>\$ 165,299</u>	<u>(\$ 117,387)</u>	<u>\$ 47,912</u>
December 31			

	<u>Present value of defined benefit obligations</u>	<u>Fair value of project assets</u>	<u>Net defined benefit liabilities</u>
2021			
Balance at January 1	\$ 187,305	(\$ 108,267)	\$ 79,038
Current service cost	570	-	570
Interest expenses	543	( 317)	226
(income)	<u>188,418</u>	<u>( 108,584)</u>	<u>79,834</u>
Remeasurement:			
Planned asset earning	-	( 1,668)	( 1,668)
(excluding money in interest income or expenses)			
Effects of changes in demographic assumptions	388	-	388
Effects of changes in financial assumptions	-	-	-
Effects of plan reduction	( 5,400)	-	( 5,400)
Adjustment by experience	<u>1,096</u>	<u>-</u>	<u>1,096</u>
	<u>( 3,916)</u>	<u>( 1,668)</u>	<u>( 5,584)</u>
Provision to the pension fund	-	( 9,916)	( 9,916)
Pension payment	<u>( 8,625)</u>	<u>8,625</u>	<u>-</u>
Balance at December 31	<u>\$ 175,877</u>	<u>(\$ 111,543)</u>	<u>\$ 64,334</u>

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

	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.70%</u>
Future salary increase rate	<u>3.00%</u>	<u>3.00%</u>

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



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

	<u>Discount rate</u>		<u>Future salary increase rate</u>	
	<u>+ 0.25%</u>	<u>- 0.25%</u>	<u>+ 0.25%</u>	<u>- 0.25%</u>
December 31, 2022				
Impact on present value of defined benefit obligations	(\$ 2,793)	\$ 2,887	\$ 2,829	(\$ 2,751)
December 31, 2021				
Impact on present value of defined benefit obligations	(\$ 3,265)	\$ 3,382	\$ 3,297	(\$ 3,201)

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

The sensitivity analysis system is consistent with the calculation method of the net pension liabilities of assets and liabilities.

- (6) The Company's estimated payment for the retirement plan for the year 2023 is \$2,209 thousand.
- (7) As of December 31, 2022, the weighted average duration of the retirement plan was 6 years. An analysis of the grant date of the retirement payment is as follows:

Less than 1 year	\$ 23,663
1~2 years	12,365
2~5 years	54,191
More than 5 years	87,992
	<u>\$ 178,211</u>

- 2.(1) Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution plan procedure in accordance with the "Labor Pension Act", which are applicable to domestic employees. The Company applies the labor retirement pension system stipulated by the "Labor Pension Act" for employees' choice, with a monthly contribution of 6% of the salary to the employee's personal account of The Bureau of Labor Insurance, and the payment depends on the employee's personal pension. The amount of the special account and accumulated income is received in the form of a monthly pension or a lump-sum pension.
- (2) In the year 2022 and 2021, the company recognized the cost of retirement payment according to the above-mentioned method are \$27,858 thousand and \$23,972 thousand respectively. The deferred income that exceeds the paid-in period shall be transferred to other income in a straight line method.

(48) Share capital

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

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

	<u>2022</u>	<u>2021</u>
January 1	279,518	254,518
Cash capital increase	-	25,000
December 31	<u>\$ 279,518</u>	<u>\$ 279,518</u>

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

(49) Capital surplus

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

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

Changes in capital reserve are as follows:

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

	<u>paid-in capital</u>	<u>option</u>	<u>disposal of asset</u>	<u>ownership interests in subsidiaries</u>	
Beginning balance	\$ 1,877,208	\$ 23,295	\$ 309	\$ 5,667	\$ 1,906,479
Cash capital increase	2,000,000	-	-	-	2,000,000
Capital reserve to distribute					
cash dividends	( 72,675)	-	-	-	( 72,675)
Ending balance	<u>\$ 3,804,533</u>	<u>\$ 23,295</u>	<u>\$ 309</u>	<u>\$ 5,667</u>	<u>\$ 3,833,804</u>

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

(50) Retained earnings

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

	<u>2022</u>	<u>Dividends per share(in</u>	<u>2021</u>	<u>Dividends per share (in</u>
	<u>Amount</u>	<u>dollars)</u>	<u>Amount</u>	<u>dollars)</u>
			\$	
Legal reserve	\$ 68,451		35,326	

Special reserve	34,805		12,118	
Cash dividends	447,228	\$ 1.60	381,541	\$ 1.37

The appropriations of earnings for 2022 is waiting for the approval at the meeting of shareholders of the Company.

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

(51) Other equity

	<u>2022</u>		Unrealized gain (loss) of investment in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) of investments in equity instruments measured at fair value through other comprehensive income	Total
At January 1	(\$ 45,136)	(\$ 9,046)	(\$ 6,172)	(\$ 60,354)	
Evaluation adjusted					
–The Company	-	( 31,814)	( 529)	( 32,343)	
–Associates	-	-	( 34,911)	( 34,911)	
Evaluation adjusted	-	-	( 5,528)	( 5,528)	
transferred into					
Retained earnings					
Differences of					
foreign currency					
translation:					
–The Company	33,413	-	-	33,413	
–Tax of the Company	2,110	-	-	2,110	
–Associates	2,552	-	-	2,552	
–Tax of associates	( 97)	-	-	( 97)	
At December 31	(\$ 7,158)	(\$ 40,860)	(\$ 47,140)	(\$ 95,158)	

  

	<u>2021</u>		Unrealized gain (loss) of investment in debt instruments measured at fair value through other comprehensive income	Unrealized gain (loss) of investments in equity instruments measured at fair value through other comprehensive income	Total
At January 1	(\$ 42,421)	(\$ 10,560)	\$ 17,865	(\$ 35,116)	
Evaluation adjusted					
–The Company	-	1,514	( 582)	932	
–Associates	-	-	( 17,184)	( 17,184)	
Evaluation adjusted	-	-	( 6,271)	( 6,271)	
transferred into					
Retained earnings					
Differences of foreign					
currency translation:					

–The Company	(	8,129)	-	-	(	8,129)
–Tax of the Company		1,361	-	-		1,361
–Associates		4,031	-	-		4,031
–Tax of associates		22	-	-		22
At December 31	(\$	45,136)	(\$	9,046)	(\$	6,172)
	(\$	60,354)				

(52) Operating revenue

	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers	\$ 6,898,232	\$ 6,230,770

1. Disaggregation of revenue from contracts with customers

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

	<u>2022</u>					
	<u>Transmission components for car</u>					
	<u>USA</u>	<u>China</u>	<u>Taiwan</u>	<u>Europe</u>	<u>Other region</u>	<u>Total</u>
Revenue from external customer contracts	\$ 4,094,036	\$ 370,412	\$ 257,640	\$ 1,612,585	\$ 563,559	\$ 6,898,232
Revenue recognition time						
Revenue recognition at a point of time	\$ 4,094,036	\$ 370,412	\$ 257,640	\$ 1,612,585	\$ 563,559	\$ 6,898,232
	<u>2021</u>					
	<u>Transmission components for car</u>					
	<u>USA</u>	<u>China</u>	<u>Taiwan</u>	<u>Europe</u>	<u>Other region</u>	<u>Total</u>
Revenue from external customer contracts	\$ 3,973,691	\$ 344,512	\$ 302,771	\$ 708,974	\$ 900,822	\$ 6,230,770
Revenue recognition time						
Revenue recognition at a point of time	\$ 3,973,691	\$ 344,512	\$ 302,771	\$ 708,974	\$ 900,822	\$ 6,230,770

2. Contract assets and contract liabilities: None.

(53) Interest income

	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 1,715	\$ 470
Financial assets at amortized cost		
Interest income	17	3

Other interest income		613	9			
		\$ 2,345	\$ 482			
(54)	<u>Other income</u>					
		<u>2022</u>	<u>2021</u>			
	Rent income	\$ 5,191	\$ 5,632			
	Dividend revenue	2,441	2,941			
	Government grants income	10,420	10,401			
	Other income-other	18,280	7,036			
		<u>\$ 36,332</u>	<u>\$ 26,010</u>			
(55)	<u>Other gains and losses</u>					
		<u>2022</u>	<u>2021</u>			
	Foreign exchange gains (losses)	\$ 268,491	(\$ 82,448)			
	Gains on disposal of property, plant and equipment	7,954	5,010			
	Lease modification benefits	-	57			
	Total	<u>\$ 276,445</u>	<u>(\$ 77,381)</u>			
(56)	<u>Financial costs</u>					
		<u>2022</u>	<u>2021</u>			
	Interest expenses for bank borrowings	\$ 123,336	\$ 92,803			
	Less: Qualifying capitalization of interest	( 17,720)	( 20,994)			
	Subtotal	105,616	71,809			
	Interest expenses-Lease liabilities	4,006	3,997			
	Finance costs	<u>\$ 109,622</u>	<u>\$ 75,806</u>			
(57)	<u>Expenses by nature</u>					
	<u>2022</u>		<u>2021</u>			
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense	\$ 724,214	\$ 160,085	\$ 884,299	\$ 656,231	\$ 158,456	\$ 814,687
Depreciation on property, plant and equipment	575,817	22,419	598,236	506,791	19,348	526,139
Depreciation on right-of-use assets	10,158	1,831	11,989	8,590	1,801	10,391
Amortization of intangible assets	2,876	1,975	4,851	4,222	1,749	5,971

(58) Employee benefit expense

	<u>2022</u>			<u>2021</u>		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries and wages	\$ 584,198	\$ 119,289	\$ 703,487	\$ 527,811	\$ 116,500	\$ 644,311
Labor and health insurance	63,749	12,087	75,836	55,257	11,617	66,874
Pension	22,470	8,041	30,511	19,876	11,074	30,950
Directors' remuneration	-	14,185	14,185	-	13,713	13,713
Other personnel expenses	53,797	6,483	60,280	53,287	5,552	58,839
	<u>\$ 724,214</u>	<u>\$ 160,085</u>	<u>\$ 884,299</u>	<u>\$ 656,231</u>	<u>\$ 158,456</u>	<u>\$ 814,687</u>

1. The number of employees for the current year and previous year were 1,117 and 1,011, respectively, and among them, directors who were not concurrent employees, were 10 and 10, respectively.
2. The average of employee benefit expense for the current year was \$786 thousand ("Total of employee benefit expense for the current year - Total of directors' remuneration" / "Number of employees for the current year - Number of directors who were not concurrent employees"). The average of employee benefit expense for the previous year was \$800 thousand ("Total of employee benefit expense for the previous year - Total of directors' remuneration" / "Number of employees for the previous year - Number of directors who were not concurrent employees").
3. The average employees' salaries and wages for the current year was \$635 thousand (Total of salaries and wages for the current year / "Number of employees for the current year - Number of directors who were not concurrent employees").  
The average employees' salaries and wages for the previous year was \$644 thousand (Total of salaries and wages for the previous year / "Number of employees for the previous year - Number of directors who were not concurrent employees").
4. The average of changes employees' salaries and wages adjustment went down 1.04% (『 The average employees' salaries and wages for the current year - The average employees' salaries and wages for the previous year 』 / The average employees' salaries and wages for the previous year).
5. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be less than 2% for employees' compensation and shall not be higher than 5% for directors' remuneration.
6. The Company has established an auditing committee, hence there is no supervisor.
7. The Company directors' emoluments include directors' reward, transportation allowance, directors' remuneration. Directors' reward shall refer to the pay levels adopted by peer companies, transportation allowance shall be paid according to his/her attendance to the Board of Directors, and in compliance with the Articles of Incorporation, the directors' remuneration shall be allocated prepared by the Remuneration Committee and represented to the Board of Directors for resolution, and report to the Shareholders' Meeting. Managerial officers and employees' emoluments include salaries and wages, bonus, employees' compensation, employee stock option certificates, etc., taking into consideration of the responsibility carried of that position, and refer to the pay levels adopted by peer companies and individual performance. Evaluation result of each employee performance review is included in calculation basis of salaries and wages. Managerial officers' bonus and emoluments shall be prepared and approved by the Remuneration Committee and by the resolution of the Board of Directors.
8. For the years ended December 31, 2022 and 2021, employee's compensation and directors' remuneration were accrued at as follows:

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

The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2.14% and 0.57% of distributable profit of current year for the year ended December 31, 2022. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 16, 2023, were \$16,800 thousand and \$7,260 thousand, and the employees' compensation will be distributed in the form of cash.

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

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

(59) Income tax

1. Income tax expense

(1) Components of income tax expense:

	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax on profits for the year	\$ 137,245	\$ 90,396
Surtax on undistributed retained earnings	-	1,530
Tax effect of investment tax credits	-	( 26,749)
Prior year income tax underestimation (overestimation)	( 10,436)	( 440)
Total current tax	<u>126,809</u>	<u>64,737</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>12,315</u>	<u>( 5,559)</u>
Income tax expense	<u>\$ 139,124</u>	<u>\$ 59,178</u>

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

	<u>2022</u>	<u>2021</u>
Exchange difference on translation of foreign operations	\$ 2,013	\$ 1,383
Remeasurements of defined benefit obligation	( 2,998)	( 1,117)
Share of other comprehensive income	<u>(\$ 985)</u>	<u>\$ 266</u>

2. Reconciliation between income tax expense and accounting profit:

	<u>2022</u>	<u>2021</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 147,220	\$ 83,101
Tax effect disallowed by tax regulation	2,340	1,736
Tax effect of investment tax credits	-	( 26,749)
Prior year income tax underestimation (overestimation)	( 10,436)	( 440)
Surtax on undistributed retained earnings	-	1,530
Income tax expense	<u>\$ 139,124</u>	<u>\$ 59,178</u>

3. Amounts of deferred tax assets and liabilities as a result of temporary



differences and tax are as follows:

	<u>2022</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
— Temporary differences:				
Losses on foreign long-term equity investments	\$ 12,741	(\$ 4)	\$ -	\$ 12,737
Allowance for inventory valuation and obsolescence losses	17,140	3,000	-	20,140
Unappropriated accrued pension	29	( 29)	-	-
Allowance for uncollectible accounts	3,097	1,200	-	4,297
Remeasurements of defined benefit obligation	6,728	-	( 2,998)	3,730
Differences between the accounting treatment and tax regulations in right-of-use assets	3,010	( 3,010)	-	-
Unrealized employees' bonus	1,723	-	-	1,723
Unrealized profit on intercompany sales	2,792	8	-	2,800
Unrealized foreign exchange loss	11,478	(11,478)	-	-
Subtotal	<u>\$ 58,738</u>	<u>(\$10,313)</u>	<u>(\$ 2,998)</u>	<u>\$ 45,427</u>
— Deferred tax liabilities:				
Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$ 42,593)	\$ 5,339	\$ -	(\$ 37,254)
Exchange difference on translation of foreign operations	( 2,656)	-	2,014	( 642)
Land value increment tax	( 1,417)	-	-	( 1,417)
Unrealized exchange benefits	-	( 7,341)	-	( 7,341)
Subtotal	<u>(\$ 46,666)</u>	<u>(\$ 2,002)</u>	<u>\$ 2,014</u>	<u>(\$ 46,654)</u>
Total		<u>(\$12,315)</u>	<u>(\$ 984)</u>	

	<u>2021</u>			
	<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>December 31</u>
Deferred tax assets:				
- temporary differences:				
Losses on foreign long-term equity investments	\$ 14,869	(\$ 2,128)	\$ -	\$ 12,741
Allowance for inventory valuation and obsolescence losses	14,840	2,300	-	17,140
Unappropriated accrued pension	2,969	( 2,940)	-	29
Allowance for uncollectible	3,054	43	-	3,097
Remeasurements of defined benefit obligation	7,845	-	( 1,117)	6,728
Differences between the accounting treatment and tax regulations in right-of-use assets	3,365	( 355)	-	3,010
Unrealized employees' bonus	1,723	-	-	1,723
Unrealized profit on intercompany sales	3,436	( 644)	-	2,792
Unrealized foreign exchange loss	8,503	2,975	-	11,478
Subtotal	<u>\$ 60,604</u>	<u>(\$ 749)</u>	<u>(\$ 1,117)</u>	<u>\$ 58,738</u>
- Deferred tax liabilities:				
Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$ 48,901)	\$ 6,308	\$ -	(\$ 42,593)
Exchange difference on translation of foreign operations	( 4,039)	-	1,383	( 2,656)
Land value increment tax	( 1,417)	-	-	( 1,417)
Subtotal	<u>(\$ 54,357)</u>	<u>\$ 6,308</u>	<u>\$ 1,383</u>	<u>(\$ 46,666)</u>
Total		<u>\$ 5,559</u>	<u>\$ 266</u>	

4. The Company's profit-seeking enterprise annual income tax return up to 2019 had been examined by the tax authorities.

(60) Earnings per share

	<u>2022</u>	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (NTD)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 623,958</u>	<u>279,518</u>	<u>\$ 2.23</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	623,958	279,518	
Assumed conversion of all dilutive			
Employees' compensation	<u>-</u>	<u>247</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 623,958</u>	<u>279,765</u>	<u>\$ 2.23</u>
	<u>2021</u>	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (NTD)
	<u>Amount after tax</u>		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 341,823</u>	<u>277,326</u>	<u>\$ 1.23</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	341,823	277,326	
Assumed conversion of all dilutive			
Employees' compensation	<u>-</u>	<u>106</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 341,823</u>	<u>277,432</u>	<u>\$ 1.23</u>

The Corporation presumes that the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect.

(61) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment	\$ 1,462,978	\$ 1,657,679
Add: Opening balance of payable equipment	168,452	90,079
Ending balance of prepayment for equipment	52,750	34,544
Acquisition of other non-current assets- Land	( 207,240)	119,422
Transferred to investment properties	-	30,387
Less: Ending balance of payable equipment	( 208,354)	( 168,452)
Opening balance of prepayment for equipment	( 34,544)	( 450,755)
Cash paid during the year	<u>\$ 1,234,042</u>	<u>\$ 1,312,904</u>

(62) Changes in liabilities from financing activities

	<u>2022</u>		<u>Short-term commercial</u>			<u>Total liabilities from</u>	
	<u>Short-term</u>	<u>papers</u>	<u>Lease</u>	<u>Long-</u>	<u>Dividends</u>	<u>financing activities</u>	
	<u>borrowings</u>	<u>payable</u>	<u>liabilities</u>	<u>term loans</u>	<u>payable</u>		
January 1	\$ 947,263	\$ 1,260,000	\$255,704	\$5,525,916	\$ -	\$ 7,988,883	
Changes in cash flow from financing activities	94,943	( 200,000)	( 10,360)	1,544,289	( 81,541)	1,747,331	
					81,541	381,541	
Additions	-	-	-	-			
Changes in other non-cash activities	-	-	12,677	-	-	12,677	
Impact of changes in foreign exchange rate	<u>5,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,153</u>	
December 31	<u>\$ 1,747,359</u>	<u>\$ 1,060,000</u>	<u>\$258,021</u>	<u>\$7,070,205</u>	<u>\$ -</u>	<u>\$10,135,585</u>	

	<u>2021</u>	<u>Short-term commercial</u>	<u>Lease</u>	<u>Long-term</u>	<u>Dividends</u>	<u>Total liabilities from</u>
	<u>borrowings</u>	<u>papers payable</u>	<u>liabilities</u>	<u>loans</u>	<u>payable</u>	<u>financing activities</u>
	\$	\$ 600,000	\$260,664	\$	\$ -	\$ 9,100,062
January 1	1,850,370			6,389,028		
Changes in cash flow from financing activities	( 898,390 )	660,000	( 12,169 )	( 863,112 )	(307,469)	( 1,421,140 )
					307,469	307,469
Additions	-	-	-	-		
Changes in other non-cash activities	-	-	7,209	-	-	7,209
Impact of changes in foreign exchange rate	( 4,717 )	-	-	-	-	( 4,717 )
December 31	\$ 947,263	\$ 1,260,000	\$ 255,704	\$5,525,916	\$ -	\$ 7,988,883

## 7. Related-party transactions

### (63) Names of related parties and relationship

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Hozuan Investment Company Limited (HOZUAN)	Subsidiary
Howin Precision Company Limited (HOWIN)	Subsidiary
Hefu Construction Co., Ltd. (HEFU)	Subsidiary
Wuxi Hota Precision Gear Company Limited (WUXI HOTA)	Subsidiary
HOTATECH, INC. (HOTATECH)	Subsidiary
CAPTAIN HOLDING CO., LTD.	Subsidiary

TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Associates
KAO FONG MACHINERY CO., LTD. (KAO FONG)	Associate
TAKAWA SEIKI, INC.(TAKAWA)	Associate
LING WEI CO., LTD. (LING WEI)	Associate
UNISON INC.(UNISON)	Associate
Howon (Whaian) Automobile Components Company Limited (HOWON)	Associate
GLOBAL TECHNOS LTD. (GLOBAL)	Other related-party
Shen, Guo-Rong	Other related-party
Main Drive Corporation	Other related-party
QIAN ZUAN CO., LTD.	Other related-party
Taipei Gaohe Chungui Charity Foundation	Chairman of the foundation and the Company is the same person

(64) Significant related party transactions

1. Operating revenue

	<u>2022</u>	<u>2021</u>
Sale of goods:		
Subsidiaries	\$ 75,675	\$ 60,624
Associates	1,629	2,611
Other related parties	5,258	286
Total	<u>\$ 82,562</u>	<u>\$ 63,521</u>

The Company sells to the related parties with standard sales price and payment term 30~180 days. Payment term for general customers is 90~180 days.

2. Purchases

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

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

3. Manufacturing overhead -processing cost

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 86,074	\$ 62,754
Associates	83,767	91,011
	<u>\$ 169,841</u>	<u>\$ 153,765</u>

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

4. Rent income

	<u>2022</u>	<u>2021</u>
Subsidiaries	\$ 756	\$ -
Associates	600	600
	<u>\$ 1,356</u>	<u>\$ 600</u>

Rental of the aforesaid leasing object is calculated based on the rentals in the neighborhood and the leasing area, and the rental shall be collected every 30 days.

5. Rental

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

Rental of the aforesaid leasing object is calculated based on the rentals in the neighborhood and the leasing area, and the rental shall be paid by monthly.

6. Commission

	<u>2022</u>	<u>2021</u>
HOTATECH	\$ 28,085	\$ 33,730

Commission of the Company is based on the sales volume of a variety of models for different customers, that shall be paid to the subsidiaries pursuant to the agreed ratio.

7. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Subsidiaries	\$ 55,533	\$ 36,913
Associates	-	792
Other related parties	5	56
Subtotal	<u>55,538</u>	<u>37,761</u>
Other receivables:		
Subsidiaries	<u>265</u>	<u>498</u>
Subtotal	<u>265</u>	<u>498</u>
Total	<u>\$ 55,803</u>	<u>\$ 38,259</u>

8. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiaries	\$ 42,479	\$ 30,790
Subtotal	<u>42,479</u>	<u>30,790</u>
Other payables:		
Subsidiaries	3,622	256
Associates	7,248	7,727
Other related parties	<u>175</u>	<u>121</u>

Subtotal	<u>11,045</u>	<u>8,104</u>
Total	<u>\$ 53,524</u>	<u>\$ 38,894</u>

9. Other non-current assets

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

10. Property transactions

(1) Purchase of properties:

	<u>2022</u>	<u>2021</u>
Purchase of property, plant and equipment		
Subsidiaries	\$ -	\$ 6,120
Associates	444	8,566
Other related parties	<u>333</u>	<u>2,125</u>
	<u>\$ 777</u>	<u>\$ 16,811</u>

(2) Disposal of property, plant and equipment:

	<u>2022</u>		<u>2021</u>	
	<u>Disposal</u>	<u>Gains (losses)</u>	<u>Disposal</u>	<u>Gains (losses)</u>
	<u>proceeds</u>	<u>on disposal</u>	<u>proceeds</u>	<u>on disposal</u>
Subsidiaries	\$ -	\$ -	\$ 34,284	\$ -

(3) Purchase of properties, outstanding balance:

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

11. Endorsement provided to related parties

Information of endorsement provided to others is provided in Note 13(1)2.

(65) Key management compensation

	<u>2022</u>	<u>2021</u>
Other short-term employee benefits	\$ 33,407	\$ 32,176
Post-employment benefits	<u>1,214</u>	<u>1,191</u>
Total	<u>\$ 34,621</u>	<u>\$ 33,367</u>

8. Assets pledged as collaterals

	<u>Book value</u>		
<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Property, plant and equipment	\$ 7,006,723	\$ 7,455,383	Long-term loan, Short-term borrowings
Financial assets at amortized cost	835	1,499	Project guarantee deposit, L/C
	<u>\$ 7,007,558</u>	<u>\$ 7,456,882</u>	

9. Commitments and contingencies

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

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

2. Capital expenditure on contract signed but not occurred yet

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

10. Losses due to major disasters

None.

11. Significant subsequent events

None.

12. Other

(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 ratio of liabilities to assets of the Company for the years ended December 31, 2022 and 2021, is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 12,429,071	\$ 10,871,184
Total assets	21,278,737	19,494,289
Ratio of liabilities to assets	58.41%	55.77%

(2) Financial instruments

1. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at fair value through other comprehensive income		
Investments for using designated equity instruments	\$ 101,919	\$ 132,534
Accounts receivable	830,834	734,618
Financial assets at amortized cost / loans and accounts receivable		
Cash and cash equivalents	993,490	776,622
Financial assets at amortized cost	155,930	2,121
Notes receivable	-	25,442
Accounts receivable (including related-parties)	2,143,717	1,775,749
Other receivables	173,888	67,702
Refundable deposits	2,644	1,645
	<u>\$ 4,402,422</u>	<u>\$ 3,516,433</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 1,747,359	\$ 947,263
Short-term notes and bills payable	1,060,000	1,260,000
Notes payable	524,871	921,500
Accounts payable	819,121	958,995
Other payables	691,583	795,731
Long-term loans (including the expiration within a year or business cycle)	7,020,536	5,475,061
	<u>\$ 11,863,470</u>	<u>\$ 10,358,550</u>
Lease liabilities	<u>\$ 258,021</u>	<u>\$ 255,704</u>

2. Financial risk management policies

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



rate risk, credit risk and derivative and non-derivative financial instruments, and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

The current year found no major changes but the following explanation, please refer to Note 12 of the 2022 consolidated financial statements.

(1) Market risk

Foreign exchange risk

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

(BLANK BELOW)

(Foreign currency: functional currency)	<u>December 31, 2022</u>			<u>Sensitivity analysis</u>		
	<u>Foreign</u>	<u>Exchange</u>	<u>Book value</u>	<u>Degree</u>	<u>Effect of</u>	<u>Effect of other</u>
	<u>currency</u> <u>(in thousands)</u>			<u>of</u> <u>variation</u>	<u>profit or</u> <u>loss</u>	<u>comprehensive</u> <u>income</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:TWD	\$ 91,152	30.71	\$ ,799,278	1%	\$ 27,993	\$ -
EUR:TWD	9,521	32.72	311,527	1%	3,115	-
JPY:TWD	99,504	0.23	22,886	1%	229	-
CNY:TWD	14,681	4.41	64,743	1%	647	-
THB:TWD	90,773	0.89	80,788	1%	808	-
<u>Investments accounted for using equity</u>						
<u>method</u>						
USD:TWD	\$ 70	30.71	2,142	1%	-	\$ 21
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:TWD	\$ 867	30.71	\$ 26,626	1%	\$ 266	\$ -
EUR:TWD	513	32.72	16,785	1%	168	-
JPY:TWD	28,908	0.23	6,649	1%	66	-
CNY:TWD	156	4.41	688	1%	7	-
CHF:TWD	191	33.12	6,326	1%	63	-

	<u>December 31, 2021</u>		Book value	<u>Sensitivity analysis</u>		
(Foreign currency: functional currency)	<u>Foreign currency</u>			<u>Degree of</u>	<u>Effect of</u>	<u>Effect of other</u>
	<u>(in thousands)</u>	<u>Exchange rate</u>	<u>(NTD)</u>	<u>variation</u>	<u>profit or loss</u>	<u>comprehensive income</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:TWD	\$ 82,656	27.68	\$ 2,287,918	1%	\$ 22,879	\$ -
EUR:TWD	5,431	31.32	170,099	1%	1,701	-
JPY:TWD	71,941	0.24	17,266	1%	173	-
CNY:TWD	24,972	4.34	108,378	1%	1,084	-
THB:TWD	35,131	0.83	29,159	1%	292	-
<u>Investments accounted for using equity method</u>						
USD:TWD	\$ 160	27.68	4,437	1%	-	\$ 44
CNY:TWD	7,106	4.34	30,838	1%	-	308
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:TWD	\$ 1,063	27.68	\$ 29,424	1%	\$ 294	\$ -
EUR:TWD	651	31.32	20,389	1%	204	-
JPY:TWD	386,464	0.24	92,751	1%	928	-
CNY:TWD	1,182	4.34	5,130	1%	51	-
CHF:TWD	5,686	30.18	171,603	1%	1,716	-

(BLANK BELOW)

- C. Total exchange loss (including amounts realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$268,491 thousand and \$82,448 thousand, respectively.

Price risk

- A. The Company is exposed to price risk as the Company holds equity securities financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In order to manage price risk of the investments in equity instruments, the Company diversifies its portfolio and executing based on the limits set by the Company.
- B. The Company's primary investments are in equity instruments and open-end funds issued by domestic companies, which equity instruments price will be affected due to uncertainties of future value on the investment targets. If that equity instruments price increase or decrease 5% with all other factors remain constant, gains or losses in equity instruments at fair value through other comprehensive income increased of \$5,096 thousand and \$6,627 thousand, respectively.

Cash flow and fair value interest risk

- A. The Company's interest risk primarily comes from long-term loans at floating rates, that the Group is exposed to cash flow interest rate risk. As of December 31, 2022 and 2021, the Company's loans at floating interest rates are denominated in New Taiwan Dollars.
- B. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2022 and 2021 decreased or increased \$17,551 thousand and \$13,688 thousand, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

(2) Credit risk

- A. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.
- B. For banks and financial institutions, only well-known rated parties with optimal credit rating in domestic or overseas are acceptable by the Company, and the Company cooperates with couple of banks and financial institutions in the meantime, instead of only a single party to reduce credit risk. According to the internal credit policy, each operating entity of the Company shall conduct an analysis of management and credit risk before negotiating payment and shipping terms and conditions with every new customer. The internal risk control is to evaluate the credit quality of customers by considering their financial status, past experience and other factors. Financial services or terms and conditions of loans provided by banks and institutions are according to the Company internal delegation of authority, that shall be executed by approval of the Board of Directors or delegated supervisors. Any paper that can only be signed with correspondent banks and financial institutions, shall be inspected by specialists of legal department or legal consultants to avoid legal risk. The Company periodically reviews the correspondent banks and financial institutions about their credit ratings and service conditions, quality and contacts, and according to operating conditions, the Company periodically monitors to maintain reasonable credit limits and utilization of credit limits that ensures to satisfy the operational needs.
- C. The Company adopts the following assumptions under IFRS 9, if there has been a significant increase in credit risk on that instrument since initial recognition:
- (A) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- (B) Bond investments traded at Taipei Exchange ("TPEX") is recognized as low credit risk when that instruments in balance sheet are as investment grade rated by any of external rating

agencies.

- D. When independent credit rating set for an investment target is downgraded by two levels, the Company's judgement on that investment has been a significant in credit risk.
- E. When the default rate of an investment target is more than 40.66%, the Company's judgement on that investment has been a significant in credit risk.
- F. The default occurs when the contract payments are past due over 360 days.
- G. The Company classifies customers' accounts receivable in accordance with customer rating types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- H. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (A) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (B) The disappearance of an active market for that financial asset because of financial difficulties;
  - (C) Default or delinquency in interest or principal repayments;
  - (D) Adverse changes in national or regional economic conditions that are expected to cause a default.
- I. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- J. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

December 31, 2022

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	0.01%	\$ 2,401,752	\$ 179
Within 120 days	0.25%	361,522	892
121-240 days	0.56%	139,713	781
241-360 days	40.66%	30,126	12,248
Over 361 days	100%	7,386	7,386
Total		<u>\$ 2,940,499</u>	<u>\$ 21,486</u>

December 31, 2021

	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not overdue	0.01%	\$ 2,182,357	\$ 179
Within 120 days	0.35%	255,755	892
121-240 days	2.42%	32,338	781
241-360 days	47.36%	7,614	3,606
Over 361 days	100%	10,028	10,028
Total		<u>\$ 2,488,092</u>	<u>\$ 15,486</u>

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

	<u>2022</u>	<u>2021</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 15,486	\$ 12,486
Provision for impairment loss	15,148	4,164
Write-off uncollectible accounts	( 9,148)	( 1,164)
At December 31	<u>\$ 21,486</u>	<u>\$ 15,486</u>

The Company's recognized loss allowance of impairment loss amounted to \$6,000

thousand and \$3,000 thousand for the years ended December 31, 2022 and 2021, respectively.

(3) Liquidity risk

A. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Group treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Company will not violate the relevant limits or terms of loans. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

B. The loan limits of \$2,663,798 thousand have not been utilized.

C. The Company's non-derivative financial liabilities in the following table are categorized based on the maturity date and are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2022

	Less than	Between 3				
		months				
<u>Non-derivative</u>					<u>More</u>	
<u>financial liabilities:</u>	<u>3 months</u>	<u>and 1 year</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>than</u>	<u>Total</u>
			<u>years</u>	<u>years</u>	<u>5 years</u>	
Short-term borrowings	,396,840	\$ 355,662	\$ -	\$ -	\$ -	\$ 1,752,502
Short-term notes and bills payable	1,060,000	-	-	-	-	1,060,000
Notes payable	286,363	238,508	-	-	-	524,871
Accounts payable	819,121	-	-	-	-	819,121
Other payables	623,174	68,409	-	-	-	691,583
Lease liabilities	3,892	10,935	22,252	21,652	270,455	329,186
Other current liabilities	6,106	950	-	-	-	7,056
Long-term loans (including maturity date within one year or business cycle)	195,810	513,670	2,575,589	2,603,461	1,692,428	7,580,958

December 31, 2021

	Less than	Between 3				
		months				
<u>Non-derivative</u>					<u>More than</u>	
<u>financial liabilities:</u>	<u>3 months</u>	<u>and 1 year</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>5 years</u>	<u>Total</u>
			<u>years</u>	<u>years</u>		
Short-term borrowings	\$ 820,858	\$ 133,015	\$ -	\$ -	\$ -	\$ 953,873
Short-term notes and bills payable	1,260,000	-	-	-	-	1,260,000
Notes payable	565,120	356,380	-	-	-	921,500
Accounts payable	958,995	-	-	-	-	958,995
Other payables	750,534	45,197	-	-	-	795,731
Lease liabilities	4,486	13,457	17,392	30,631	275,310	341,276
Other current liabilities	6,470	9,309	-	-	-	15,779
Long-term loans (including maturity date within one year or business cycle)	163,079	754,090	1,188,397	2,144,690	1,654,860	5,905,116

(3) Fair value information

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

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities on the date of measurement. Active market indicates a market in which transaction for the asset or liability take place with

sufficient frequency and volume to provide pricing information on an ongoing basis. All of the Company's investments fair value in listed stocks and active market derivatives are included.

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

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

2. The Company's financial instruments which are not at fair value measurements are including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, and other payables, book value of them are reasonable approximation of fair value.

3. The Company's financial and non-financial instruments measured at fair value are basically categorized in nature, characteristic and risk, and degree of assets and liabilities. The information is as follows:

(1) Category of assets and liabilities by nature:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets				
measured at fair value				
through other				
comprehensive income				
-Equity securities	\$ 41,808	\$ -	\$ 60,111	\$ 101,919
-Accounts receivable	-	830,834	-	830,834
Total	<u>\$ 41,808</u>	<u>\$ 830,834</u>	<u>\$ 60,111</u>	<u>\$ 932,753</u>

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets				
measured at fair value				
through other				
comprehensive income				
-Equity securities	\$ 78,221	\$ -	\$ 54,313	\$ 132,534
-Accounts receivable	-	734,618	-	734,618
Total	<u>\$ 78,221</u>	<u>\$ 734,618</u>	<u>\$ 54,313</u>	<u>\$ 867,152</u>

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

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

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

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

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

<u>2022</u>	<u>2021</u>
-------------	-------------

Beginning balance	\$	54,313	\$	57,650
Purchase in the current year		6,375		5,401
Profit (loss) recognized in other comprehensive income	(	577)	(	8,738)
Ending balance	\$	60,111	\$	54,313

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

	<u>December 31,</u> <u>2022</u>	<u>Valuation</u> <u>technique</u>	<u>Material unobservable</u> <u>inputs</u>	<u>Range</u> <u>(Weighted</u> <u>average)</u>	<u>Relation of</u> <u>inputs and fair</u> <u>value</u>
	<u>Fair value</u>				
Equity securities	\$ 21,252	Comparable to listed companies pursuant to the Company Act	Price-book ratio Liquidity risk premium discount	1.09 30%	The higher the multiplier, the higher the fair value
Stocks from venture capital companies	38,859	Net assets valuation method	Not applicable	-	Not applicable

	<u>Dec. 31, 2021</u> <u>Fair value</u>	<u>Valuation technique</u>	<u>Material</u> <u>unobservable</u> <u>inputs</u>	<u>Range</u> <u>(Weighted</u> <u>average)</u>	<u>Relation of inputs and</u> <u>fair value</u>
Equity securities	\$ 18,909	Comparable to listed companies pursuant to the Company Act	Price-book ratio multiplier	1.29 30%	The higher the multiplier, the higher the fair value.
Stocks from venture capital companies	38,671	Net assets valuation method	Not applicable	-	Not applicable

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

		<u>December 31, 2022</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
		<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
<u>Inputs</u>	<u>Changes</u>				
Financial assets					
Equity instruments	Market price price- ±1% book ratio	\$ -	\$ -	\$ 601	(\$ 601)

		<u>December 31, 2021</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
		<u>change</u>	<u>change</u>	<u>change</u>	<u>change</u>
<u>Inputs</u>	<u>Changes</u>				
Financial assets					
Equity instruments	Market price price- ±1% book ratio	\$ -	\$ -	\$ 543	(\$ 543)



13. Other disclosure

(1) Significant transactions information

1. Loans to others: Please refer to Table 1.
2. Provision of endorsement and guarantees to others: Please refer to Table 2.
3. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to 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: None.
5. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT\$300 million or 20% of 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 undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods: Please refer to Table 4.

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(4) Major shareholders' information

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

(BLANK BELOW)

Hota Industrial Manufacturing Company Limited  
Loans to Others  
Year ended December 31, 2022

Table 1

(In Thousands of New Taiwan Dollars)

(Unless otherwise specified)

No (Note 1)	Creditor	Borrower	General ledger account	Is a Related party	Maximum outstanding balance during the year ended 2022/12/31	Balance at December 31, 2022	Actual amount drawn down	Interest rate (%)	Nature of loan (Note 4)	Amount of transac- tions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collaterals		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 2)	Remarks
													Item	Value			
0	Hota Industrial Manufacturing Company Limited	YUNG-CHIN DEVELOP FORGINGCO., LTD.	Other receivables	N	\$ 12,000	\$ 12,000	\$ 9,600	2.75	2	\$ -	Purchase of equipment	\$ -		\$ -	\$ 1,769,933	\$ 3,539,866	
0	Hota Industrial Manufacturing Company Limited	CHIEN LI INDUSTRIAL CO., LTD.	Other receivables	N	6,000	6,000	6,000	2.75	2	-	Purchase of equipment	-		-	1,769,933	3,539,866	
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	Other receivables	Y	122,640	122,640	-	2.50	2	-	Purchase of equipment	-		-	1,769,933	3,539,866	

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

(1)The Company is '0'.

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

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

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

Note 4: (1) For business transactions.

(2) For short-term financing.

Hota Industrial Manufacturing Company Limited  
Provision of Endorsements and Guarantees to Others  
Year ended December 31, 2022

Table 2

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

No (Note 1)	Endorser/ Guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party ( Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 ( Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 ( Note 5)	Actual amount drawn down ( Note 6)	Amount of endorsement s/ guarantee secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%)	Ceiling on total amount of endorsements/ guarantees provided ( Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Remarks
0	Hota Industrial Manufacturing Company Limited	Howon(Whaian) Automobile Components Company Limited	(2)	\$ 1,769,933	\$ 337,260	\$ 337,260	\$ 324,751	\$ -	3.81	\$ 3,539,866	Y	N	N	
0	Hota Industrial Manufacturing Company Limited	Howon(Whaian) Automobile Components Company Limited	(2)	1,769,933	214,620	214,620	185,186	-	2.43	3,539,866	Y	N	N	
0	Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd.	(6)	1,778,253	156,000	156,000	48,500	-	1.76	3,556,506	N	N	N	

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

(1)The Company is '0'.

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

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

(1) A company with which the Company conducts business.

(2)A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.

(3)A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.

(4)Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.

(5)A company fulfilling its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6)A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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

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

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

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

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

Table 3

(In Thousands of New Taiwan Dollars)

(Unless otherwise specified)

					As of December 31, 2022				
Securities held by	Types of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book Value	Shareholding ratio	Fair Value	Remarks
Hota Industrial Manufacturing Company Limited	Stock	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income-current	474,000	4,740	-	16,945	
Hota Industrial Manufacturing Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	The chairman of the company is the chairman of the company	Financial assets at fair value through other comprehensive income-current	1,714,679	46,566	-	24,863	
						51,306		\$ 41,808	
				Evaluation adjusted		( 9,498)			
						\$ 41,808			
Hota Industrial Manufacturing Company Limited	Stock	BMB Venture Capital Investment Corporation	The chairman of the company is the chairman of the company	Financial assets at fair value through other comprehensive income-noncurrent	3,128,588	\$ 31,286	9.08	\$ 17,130	
Hota Industrial Manufacturing Company Limited	Stock	World Known MFG Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	689,189	7,832	4.05	9,702	
Hota Industrial Manufacturing Company Limited	Stock	MAIN DRIVE CORPORATION	The chairman of the company is a director of the company	Financial assets at fair value through other comprehensive income-noncurrent	4,325,000	45,375	8.65	21,729	
Hota Industrial Manufacturing Company Limited	Ball card	TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION	The chairman of the company is a director of the company	Financial assets at fair value through other comprehensive income-noncurrent	-	3,010	0.09	11,550	
						87,503		\$ 60,111	
				Evaluation adjusted		( 27,392)			
						\$ 60,111			

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

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

Hota Industrial Manufacturing Company Limited  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2022

Table 4

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

No (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)	Remarks
				General ledger account	Amount		
0	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Sales	\$ 50,755	According to the general price and conditions, the payment will be collected within 180 days after shipment.	Note 4
	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Account receivable	23,468	Payment is received within 90 days after shipment.	Note 4
0	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Commission expense	28,085	Based on the sales of specific models shipped by the parent company to specific customers, calculated according to ascertain percentage.	Note 4
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	1	Sales	14,365	According to the general price and conditions, payment will be made within 30~180 days after acceptance of each different model.	Note 4
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	1	Account receivable	19,320	Payment will be made within 30~180 days after acceptance of each different model.	Note 4
0	Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	1	Processing costs	86,074	According to the general processing price and conditions, payment will be made within 120 days after acceptance.	Note 4
0	Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	1	Accounts payable	42,479	Payment within 120 days after acceptance.	Note 4

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

(1) Parent company is '0'.

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

Note 2 : Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

Hota Industrial Manufacturing Company Limited  
Information on Investees (not including investees in Mainland China)  
For the year ended December 31, 2022

Table 5

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

Investor	Investee (Note 1 & 2)	Location	Main business activities	Initial investment amount		Shares held as December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Remarks
				As at December 31, 2022	As at December 31, 2021	Number of Shares	Percentage (%)	Book Value			
Hota Industrial Manufacturing Company Limited	Hezuan Investment	Taiwan	Investment activities	\$ 167,190	\$ 167,190	25,221,000	100.00	\$ 261,624	\$ 7,966	\$ 7,966	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	CAPTAIN HOLDING CO., LTD.	Seychelles	Holding company	326,073	326,073	10,602,990	100.00	196,281	4,712	4,712	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	HOTATECH, INC.	USA	Sell various precision gears for automobiles	173,638	173,638	530,200	100.00	252,350	( 1,923)	( 1,923)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	Taiwan	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale of hardware parts and metal parts	41,450	41,450	7,305,147	61.05	87,566	10,891	6,649	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	Juda Intelligent Technology Co., Ltd.	Taiwan	Manufacturing and selling various precision gears and shafts for automobiles	5,000	5,000	500,000	83.33	4,997	13	13	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd.	Taiwan	Construction and investment development of residences, apartments and mixed residential office buildings	68,000	68,000	6,800,000	50.00	66,871	( 1,750)	( 875)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	Helun Precision Co., Ltd.	Taiwan	Manufacturing and sell various of precision gears for automobiles and motorbikes	5,000	-	500,000	100.00	4,993	( 7)	( 7)	Subsidiaries(Note 4)
Hota Industrial Manufacturing 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.	11,400	11,400	838,878	0.78	14,132	47,519	369	Invested company evaluated by equity method(Note 3)
Hota Industrial Manufacturing Company Limited	TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Taiwan	Removal, storage and treatment of general and hazardous industrial waste.	12,500	12,500	375,000	25.00	-	-	-	Invested company evaluated by equity method(Note 1)
Hota Industrial Manufacturing Company Limited	TAKAWA SEIKI, INC.	USA	Machinery traders and agents.	3,607	3,607	120,000	40.00	2,142	( 6,950)	( 2,780)	Invested company evaluated by equity method
Hota Industrial Manufacturing Company Limited	LING WEI CO., Ltd.	Taiwan	Hardware wholesale industry.	36,338	36,338	3,633,750	45.00	44,919	6,589	2,966	Invested company evaluated by equity method
Hezuan Investment	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	187,141	187,141	16,501,826	15.28	236,812	47,519	7,260	Invested company evaluated by equity method(Note 2 & 3)
HOWIN PRECISION CO., LTD.	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	677	677	49,471	0.05	833	47,519	22	Invested company evaluated by equity method(Note 2 & 3)

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

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

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

Its total shareholding ratio is 16.11%, and the total investment profits recognized by the Group was 7,651 thousand.

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

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

Table 6

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Invested Amount			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Reitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Remarks
Wuxi Hota Precision Gear Co., Ltd.	Manufacturing and sell various of precision gears for automobiles and motorbikes.	\$ -	2	\$	178,118	\$ -	\$ -	\$ -	\$ 178,118	\$ -	0.00	\$ -	\$ -	\$ -	\$ -	Note 2、4、5
HOWON POWERTRAIN CO., LTD.	Manufacturing and selling of automobile gearboxes and gears.	509,786	2		325,526	-	-		325,526	3,252	100.00	3,252	199,684		-	Note 3、4、6、7

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

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

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

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

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

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

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

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

	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission	Ceiling on investments in Mainland China imposed by the investment
Hota Industrial Manufacturing Company Limited	\$ 503,644	\$ 503,644	\$ 5,309,800

Note 1 : According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

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

Hota Industrial Manufacturing Company Limited  
Statement of cash and cash equivalents  
December 31, 2022

List 1

(In Thousands of New Taiwan  
Dollars)

Item	Abstract	Amount
Cash on hand and petty cash		\$ 340
Cash in banks		
Demand deposit		629,175
Foreign currency deposit-USD	USD 7,960 thousand, exchange rate 30.71	
-EUR	EUR 2,492 thousand, exchange rate 32.72	
-JPY	JPY 99,504 thousand, exchange rate 0.23	
-CNY	RMB 1,374 thousand, exchange rate 4.41	
-THB	THB 9,914 thousand, exchange rate 0.89	363,975
		<u>\$ 993,490</u>



Hota Industrial Manufacturing Company Limited  
Accounts receivable, net  
December 31, 2022

List 2

(In Thousands of New Taiwan  
Dollars)

Name of customer	Abstract	Amount	Remarks
Customer A		\$ 1,318,230	
Customer B		515,112	
Customer C		344,013	
Others		<u>763,144</u>	Balance of each individual customer exceeds no more than 5% of the account.
		2,940,499	
Less: Allowance for doubtful accounts		( <u>21,486</u> )	
		<u>\$ 2,919,013</u>	

Hota Industrial Manufacturing Company Limited  
Inventories  
December 31, 2022

List 3

(In Thousands of New Taiwan  
Dollars)

Item	Amount		Secured by market price	Collate ralized
	Cost	Net realizable value		
Raw material	\$ 811,143	\$ 809,227	Replacement cost	
Work in process	1,291,142	1,793,606	Net realizable value	
Finish goods	953,618	974,717	Net realizable value	
	<u>3,055,903</u>	<u>\$ 3,577,550</u>		
Less: Allowance for inventory valuation and obsolescence losses	( 100,702 )			
	<u>\$ 2,955,201</u>			

Hota Industrial Manufacturing Company Limited  
Movements of investments accounted for using equity method  
From January 1, 2022 to December 31, 2022

List 4

(In Thousands of New Taiwan Dollars)

Item	Beginning balance		Additions		Disposals		Ending balance		Amount	Equity		Collateralize d or pledged
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholdin g ratio		Unit price	Total price	
Long-term equity investments accounted for using equity method:												
Hozuan Investment Company Limited	25,221	\$ 283,620	-	\$ -		(\$ 21,996)	25,221	100%	261,624	10.37	\$ 261,624	None
CAPTAIN HOLDING., LTD.	10,603	151,788	-	-		44,493	10,603	100%	196,281	18.51	196,281	None
Wuxi Hota Precision Gear Company Limited	-	30,838	-	-		( 30,838)	-	-0%	-	-	-	-None
Howin Precision Company Limited	7,305	81,141	-	-		6,425	7,305	61.05%	87,566	11.99	87,566	None
HOTATECH, INC	530	229,841	-	-		22,509	530	100%	252,350	476.13	252,350	None
Juda Intelligent Technology	500	4,983	-	-		14	500	83.33%	4,997	9.99	4,997	None
Hefu Construction Co., Ltd.	68,000	67,746	-	-		( 875	68,000	50%	66,871	0.98	66,871	None
Helun Precision Co., Ltd.	-	-	-	5,000		( 7	-	100%	4,993	9.99	4,993	None
KAO FONG MACHINERY CO., LTD.	839	14,998	-	-		( 866	500	0.78%	14,132	16.84	14,132	None
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	375	3,736	-	-		-	839	25%	3,736	9.96	3,736	None
LING WEI CO., LTD.	3,634	44,396	-	-		523	3,634	45%	44,919	12.36	44,919	None
TAKAWA SEIKI, INC.	120	4,437	-	-		-	120	40%	2,142	17.85	2,142	None
		917,524		5,000		19,382			939,611		939,611	
Less: Accumulated impairment	(	3,736	-	-		-			( 3,736		( 3,736	
		<u>\$ 913,788</u>		<u>\$ 5,000</u>		<u>\$ 19,382</u>			<u>\$ 935,875</u>		<u>\$ 935,875</u>	

Hota Industrial Manufacturing Company Limited  
Movements of accumulated depreciation on property, plant and equipment  
From January 1, 2022 to December 31, 2022

List 5

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	Transfers	<u>Ending balance</u>
Please refer to Note 6(8) and 8 for information of “Property, plant and equipment”.					

Hota Industrial Manufacturing Company Limited  
Movements of accumulated depreciation on property, plant and equipment  
From January 1, 2022 to December 31, 2022

List 6

(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	Transfers	<u>Ending balance</u>
Please refer to Note 6(8) and 8 for information of “Property, plant and equipment”.					

Hota Industrial Manufacturing Company Limited

Short-term borrowings

December 31, 2022

List 7

(In Thousands of New Taiwan Dollars)

Types of loans	Description	Ending balance	Contract term	Interest rate range	Pledged or collateralized Remarks
First Bank	Collateralized borrowing	<u>\$ 130,000</u>	2022.11.01~2023.02.12	1.3%~1.43%	Machinery equipment
Chang Hwa Bank	Credit loan	250,000	2022.07.22~2023.07.22	1.60%	
First Bank	Credit loan	3,834	2022.09.06~2023.02.28	1.11%	
E.SUN Bank	Credit loan	180,000	2022.10.14~2023.01.13	1.40%	
CTBC Bank	Credit loan	100,000	2022.10.14~2023.04.14	1.65%	
Bangkok Bank	Credit loan	90,000	2022.10.27~2023.01.30	1.47%~1.68%	
KGI Bank	Credit loan	100,000	2022.11.07~2023.03.07	1.70%	
Fubon Bank	Credit loan	100,000	2022.11.17~2023.02.07	1.72%	
EnTie Bank	Credit loan	60,000	2022.11.24~2023.02.22	1.80%	
Hua Nan Bank	Credit loan	233,525	2022.12.05~2023.06.26	1.25%~1.69%	
Yuanta Bank	Credit loan	100,000	2022.12.26~2023.02.12	1.45%	
Mega Bank	Credit loan	100,000	2022.12.26~2023.01.31	1.94%	
Bank SinoPac	Credit loan	300,000	2022.12.27~2022.12.31	1.73%	
		1,617,359			
		<u>\$ 1,747,359</u>			

Hota Industrial Manufacturing Company Limited  
Statement of Short-term Bills Payable  
December 31, 2022

List 8

(In Thousands of New Taiwan Dollars)

Item	Guaranteed or accepted by	Contract term	Interest rate range	Amount		Unamortized discount on short-term bills payable	Book value	Remarks	
				Issue amount					
Short-term notes and bills payable	Land Bank Syndicated loans	2022.12.09~ 2023.01.06	1.27%~1.38%	\$	960,000	\$	-	\$	960,000
Short-term notes and bills payable	The Chinese Bank	2022.12.09~ 2023.01.06	1.35%		100,000		-		100,000
				\$	1,060,000	\$	-	\$	1,060,000

Hota Industrial Manufacturing Company Limited  
Notes Payable  
December 31, 2022

List 9

(In Thousands of New Taiwan  
Dollars)

<u>Name of supplier</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Supplier A		<u>\$ 524,871</u>	



Hota Industrial Manufacturing Company Limited  
Accounts Payable  
December 31, 2022

List 10

(In Thousands of New Taiwan  
Dollars)

<u>Name of supplier</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Supplier A		\$ 77,012	
Supplier B		67,971	
Supplier C		41,652	
Others			Balance of each individual supplier exceeds no more than 5% of the account.
		632,486	
Total		<u>\$ 819,121</u>	

Hota Industrial Manufacturing Company Limited

Long-term Loans

December 31, 2022

List 11

(In Thousands of New Taiwan Dollars)

<u>Lender</u>	<u>Abstract</u>	<u>Amount of loan</u>	<u>Contract term</u>	<u>Interest rate</u>	<u>Pledge/collateral</u>	<u>Note</u>
Syndication of 12 banks, including Land Bank of Taiwan	Syndicated secured loans	\$ 1,900,000	2021.03.24~2026.03.24	1.96%~2.01%	Plant, office buildings and Machinery equipment	
Land Bank of Taiwan	Collateralized borrowing	828,905	2016.03.25~2038.09.27	1.84%~1.96%	Land, buildings and Machinery equipment	
Taiwan Business Bank	Collateralized borrowing	1,080,701	2017.11.28~2032.11.28	0.58%~1.93%	Land 及 Machinery equipment	
Hua Nan Bank	Collateralized borrowing	53,233	2018.05.28~2026.09.28	1.60%~1.65%	Machinery equipment	
Chang Hwa Bank	Collateralized borrowing	303,278	2019.05.30~2039.05.30	1.72%~1.76%	Land 及 Machinery equipment	
First Bank	Collateralized borrowing	439,169	2019.12.13~2029.11.15	0.35%	Machinery equipment	
Taiwan Cooperative Bank	Collateralized borrowing	236,457	2021.08.31~2037.08.31	1.60%	Land	
Taiwan Business Bank	Credit loan	136,653	2019.05.28~2026.05.15	0.58%		
First Bank	Credit loan	153,571	2019.07.18~2026.07.18	0.35%		

(BLANK BELOW)

Hota Industrial Manufacturing Company Limited  
Long-term Loans (continued)  
December 31, 2022

List 11

(In Thousands of New Taiwan Dollars)

<u>Lender</u>	<u>Abstract</u>	<u>Amount of loan</u>	<u>Contract term</u>	<u>Interest rate</u>	<u>Pledge/collateral</u>	<u>Note</u>
Taiwan Cooperative Bank	Credit loan	793,238	2019.08.15~2029.09.02	1.27%~1.48%		
Yuanta Bank	Credit loan	45,000	2021.07.23~2024.07.23	1.53%		
JihSun Bank	Credit loan	200,000	2021.08.18~2023.08.18	0.01%		
Mizuho Bank	Credit loan	600,000	2022.04.15~2023.04.14	1.32%~1.90%		
Agricultural Bank of Taiwan	Credit loan	<u>300,000</u>	2022.06.29~2023.02.25	0.01%		
		5,170,205				
Less: Long-term loans due within one year	(	604,845)				
Less: Government grant discount	(	<u>49,669</u> )				
		<u>\$ 6,415,691</u>				

Hota Industrial Manufacturing Company Limited  
Operating Revenue  
From January 1, 2022 To December 31, 2022

List 12

(In Thousands of New Taiwan  
Dollars)

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Gear and shaft for motorcycles	In thousands	748	\$ 974,746	
Gear and shaft for automobiles	In thousands	9,967	5,751,209	
Gear and shaft for others	In thousands	952	313,445	
			<u>7,039,400</u>	
Less: Sales returns and allowances			( <u>141,168</u> )	
			<u>6,898,232</u>	

Hota Industrial Manufacturing Company Limited

Operating Costs

From January 1, 2022 To December 31, 2022

List 13

(In Thousands of New Taiwan  
Dollars)

Item	Amount
Beginning raw materials and supplies	\$ 820,685
Add: Material purchased for current period	1,896,692
Gains on raw materials and supplies inventory	( 48)
Less: Ending balance of raw materials and supplies	( 811,143)
Raw materials and supplies sold	( 9,618)
Transferred into various expenses	( 6,668)
Raw materials and supplies consumed for current period	1,889,900
Direct labor	482,773
Manufacturing costs	3,295,942
Production costs	5,668,615
Add: Beginning work in process	1,117,198
Material purchased for current period	91,954
Transferred from finished goods	3,339,455
Less: Ending balance of work in process	( 1,291,142)
Semi-finished goods sold	( 27,981)
Transferred into expenses	( 206)
Cost of finished goods	8,897,893
Add: Beginning finished goods	829,735
Finished goods purchased for current period	( 3,012)
Gain on finished goods inventory	( 255)
Less: Ending balance of finished goods	( 953,618)
Reclassified as work in process	( 3,339,455)
Reclassified as fixed assets	( 65,089)
Transferred into various expenses	( 14,701)
Cost of production and sales	5,351,498
Add: Cost of raw materials and supplies sold	9,618
Semi-finished goods sold	27,981
Gain on goods inventory	303
Allowance for inventory valuation and obsolescence losses	15,000
Less: Income of the sale of scraps and obsoletes	( 91,340)
Operating costs	\$ 5,313,060



Hota Industrial Manufacturing Company Limited  
Manufacturing Overhead  
From January 1, 2022 To December 31, 2022

List 14

(In Thousands of New Taiwan  
Dollars)

Item	Abstract	Amount	Remarks
Processing costs		\$ 1,661,084	
Depreciation expense		585,976	
Salaries and wages		115,517	
Other expenses		933,365	Each individual account exceeds no more than 5% of the account.
		<u>\$ 3,295,942</u>	

Hota Industrial Manufacturing Company Limited  
Operating Expenses  
From January 1, 2022 To December 31, 2022

List 15

(In Thousands of New Taiwan  
Dollars)

Item	Sales and marketing expenses	General and administrative expenses	R&D expenses	Total
Salaries and wages	\$ 36,651	\$ 55,761	\$ 49,102	\$ 141,514
Shipping expenses	630,595	—	54	630,649
Commission expenses	50,797	—	—	50,797
Professional service fees	—	4,864	2	4,866
Depreciation expenses	3,407	8,102	12,740	24,249
Export charges	46,531	—	—	46,531
Utilities expenses	5,422	4,314	7,593	17,329
Tool fees	—	—	11,211	11,211
Insurance expenses	5,804	2,568	6,121	14,493
Expected credit impairment losses	15,148	—	—	15,148
Other expenses	34,535	19,188	18,980	72,703
	<u>\$ 828,890</u>	<u>\$ 94,797</u>	<u>\$ 105,803</u>	<u>\$ 1,029,490</u>



Hota Industrial Manufacturing Company Limited  
Other Gains and Losses  
From January 1, 2022 To December 31, 2022

List 16

(In Thousands of New Taiwan  
Dollars)

Item	Abstract	Amount	Remarks
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Please refer to Note 6(26) for information of “Other gains and losses”.

Hota Industrial Manufacturing Company Limited  
Finance Costs  
From January 1, 2022 To December 31, 2022

List 17

(In Thousands of New Taiwan  
Dollars)

Item	Abstract	Amount	Remarks
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Please refer to Note 6(27) for information of “Financial costs”.

Hota Industrial Manufacturing Company Limited

Functional summary of employee benefit, depreciation, depletion and amortization occurred in current period

From January 1, 2022 to December 31, 2022

List 18

(In Thousands of New Taiwan  
Dollars)

	2022			2021		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
By function						
By nature						

Please refer to Note 6(28), (29) for information of “Functional summary of employee benefit, depreciation, depletion and amortization occurred in current period”.