



2022

# Annual Report

Market Observation Post System URL: <http://mops.twse.com.tw/>  
Company URL: <http://www.hota.com.tw/>

**Published on May 19, 2023**

- I. Name, Role and Contact of the Company's Spokesperson and Acting Spokesperson  
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Role: President  
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Acting Spokesperson  
Name: Sheng, Chien-Chih  
Role: CEO  
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- II. Address and Phone of Headquarter, Branches and Factories  
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- V. Name of Exchange for Offering and Trading of Overseas Securities: N/A
- VI. Company Website URL: <http://www.hota.com.tw>

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## I. Report to the Shareholders:

### (I) Operation Report of the Year 2021

#### 1. Execution Results of the Business Plan:

Unit: New Taiwan Dollar, thousand

Item	Year 2022		Year 2021	
	Amount	%	Amount	%
Operation Revenue	7,339,165	100	6,686,364	100
Operation Costs	(5,643,604)	(77)	(5,004,701)	(75)
Operation Margin	1,695,561	23	1,681,663	25
Operation Expenses	(1,156,625)	(16)	(1,230,031)	(18)
Operation Net Profit	538,936	7	451,632	7
Non-operating income and expenses	229,562	3	(47,832)	(1)
Net profit before tax	768,498	10	403,800	6
Income Tax Expense	(139,425)	(2)	(63,157)	(1)
Net Income after tax	629,073	8	340,643	5
Net income attributable to stockholders of the parent company	623,958	8	341,823	5
Net income attributable to non-controlling interests	5,115	—	(1,180)	—

#### 2. Analysis of Profitability:

Item		Year 2022	Year 2021
Return on Assets (%)		3.31	2.09
Return on Equity of Shareholders (%)		7.10	4.50
Ratio to Paid-in Capital (%)	Operation Net Profit	19.28	16.16
	Net Income after tax	27.49	14.45
Net Profit Ratio (%)		8.57	5.09
Earnings per share(Not been retrospective adjusted)		2.23	1.23

#### 3. Status of Research and Development:

(1) The development results of Research & Development department in the last three years as follows:

- A. Differential assembly.
- B. Automatic and Tiptronic transmission components.
- C. Torque conversion system parts.
- D. Planetary gear set of Continuously Variable Transmission (CVT) gearbox.
- E. Heavy locomotive gearbox and transmission components.
- F. Gearbox parts for large agricultural machinery.
- G. Precision mechanical reducer.
- H. Gear hobbing machine, optical measuring instrument, gear scraping machine, chamfering machine.
- I. All-Terrain vehicles (ATV) and electric scooters.
- J. Electric vehicle gearbox components.
- K. Gear rotation measuring instrument.
- L. Aerospace parts

#### (2) Major topics for future Research and Development

In recent years, the Company has worked hard towards product differentiation and market segmentation, committed to the development of high value-added products, and continued to invest in the design, research and development of green energy vehicle-related components to

maintain its competitive advantage in the market and stabilize customers' relationships and their orders. In response to industrial upgrade and business expansion, the Company has successively purchased high-precision machinery and inspection equipment, cultivated R&D and design talents, invested in new product research and development, introduced smart manufacturing technology, and shortened research and development time to meet customer needs.

The focus of this year's research and development is to extend the previous year's results, to develop transmission systems for various vehicles, and to develop precision gears and transmission shafts required for green energy, environmentally friendly vehicle reducers.

The scheduled research and development products are as follows:

- A. American automobile automatic transmission components.
- B. American automobile torque conversion system components.
- C. New gearbox components for European high-end heavy locomotives.
- D. Oil pump gear of American industrial machinery.
- E. Gearbox parts of American Agricultural and Construction Machinery.
- F. US patented Limited Slip Differential (LSD).
- G. European series CVT components.
- H. Air compressor components for truck brake system
- I. Gear hobbing machine, gear scraping machine, chamfering machine.
- J. All kinds of ATVs, electric scooters and medical assistance vehicles.
- K. American electric vehicle gearbox components and their assembly.
- L. Bevel gear and bevel gear differential assembly.
- M. Planetary gear set of hybrid transmission.
- N. Gear intelligent production integration technology.
- O. Electric vehicle high-efficiency power transmission system assembly.
- P. Aerospace parts.

#### 4. Business Plan outline of the Year 2023:

##### (1) Management Guideline:

##### A. Improve quality system and strengthen quality management:

Nowadays, major automobile manufacturers are constantly improving in terms of precision and quality requirements. Therefore, in the Quality system and management, the Company reinforces the training of quality control personnel and prosecutes the management of suppliers, to assure product quality. Reducing the occurrence of internal defect and complaints from the external customers, it shall stabilize existing customers and establish a long-term good relationship with them.

##### B. Improve technical capabilities to meet customer requirements:

Main customers of the Company have been European and American automobile factories, and first-tier system factories for a long time, especially in the parts of electric vehicles, and the precision requirements have been continuously improved. Therefore, the Company has not only upgraded and improved the equipment for production and inspection but also reinforced the training of operators on the assembly lines and of supervisors' capabilities for management to continue the excellence of technical research and development and meet the needs of customers.

- C. Actively strive for cooperation opportunities with well-known foreign car manufacturers  
The Company continues to strive for more long-term cooperation opportunities with foreign automobile component manufacturers, automotive manufacturers, and emerging manufacturers of electric vehicles. With excellent quality and professional research and development technology, the Company seeks strategic alliances and technical cooperation opportunities with major transmission manufacturers, automobile manufacturers and electric vehicle manufacturers.
- D. Promote Productivity 4.0:  
The new Dapumei factory in Chiayi County first promotes the smart manufacturing production model. In addition to purchasing automated and semi-automated machines and advanced inspection equipment, it plans to gradually implement smart automated production and inspection, which will assure quality, reduce labor costs, and improve production efficiency, furthermore optimizing its competitive edge in the industry and technical transformation.

## (2) Production and Marketing policy

- A. Strengthen the Company's research and development capabilities, provide customers with collaborative design services, prosecute the current IATF16949 quality certification system, improve business physique, and gradually promote toward Productivity 4.0, MES for manufacturing process and BI reports management. Meanwhile, the Company reinforces several quick response mechanisms including Total Quality Management activities (TQM), Lean Manufacturing (TPS), and Quality System Basics (QSB), and focuses on intense contact with customers to improve customer satisfaction.
- B. Implement corporate social responsibility, demonstrate the spirit of sustainable business operations, continue to follow the ISO 14001 and ISO 45001 environmental safety and health certification systems, improve workplace environmental safety and health, and respond to environmental protection, energy conservation and carbon reduction issues, and strengthen the implementation of ISO 14064 greenhouse gas inventory review, ISO 14067 carbon footprint certification.
- C. In response to the global topic of Net Zero carbon emission and the massive development trend of electric vehicles and smart driving by various automakers, with abundant experience and technology, actively strive for relevant types of customers in various regions, design and develop collaboratively with them to expand the market of reducer components for electric vehicles.
- D. To transmission components, differentials, torque conversion systems, planetary gear sets, and other transmission components for existing automobile manufacturers, in addition to continuously improving quality and reducing costs, increasing the Company's competitiveness, and then strive existing customers' orders from different regions in the world to expand the global market.

## (3) Future development strategy:

- A. The development of Taiwan's automobile components is deeply influenced by the foreign automobile industry. From the perspective of the global consumer market, the Company continues to actively expand into the European, American, Chinese, and Emerging markets.

However, in terms of energy conservation and carbon reduction, smart cars and electric vehicles are the focus of future vehicle development. Therefore, the Company must actively strive for major potential electric vehicle customers of related nature for collaborative development and cooperation to create new business opportunities.

- B. Actively strive to cooperate and synchronize research and development with major international automobile manufacturers, transform for producing all-around systematic component assembly, thereby reducing the vicious competition of single-piece parts with simple manufacturing processes, to enhance profitability. It should be helpful for the Company's revenues and profits.
- C. Continue to promote the joint research of high-tech R&D projects with industry, government, academia, and research; also local industry-academic cooperation to cultivate R&D and manufacturing talents. In addition to assisting in industrial upgrading, it can also fuel new R&D and manufacturing for the long term, and support the Company to utilize current patents to high-value-added systematic products.
- D. In line with the government's "Our aircrafts manufactured by our own" policy, the Company has passed the AS 9100 aerospace system certification which officially obtained the entry ticket to participate in the aerospace industry. It is hoped that the Company's core technology of automotive precision manufacturing can also be applied to the aerospace technology field, and adds new elements to the Company's product diversification.

(4) Impacts by the external competition, the legal environment and the overall economics:

- A. As countries are paying close attention to the global greenhouse effect caused by automobile exhaust gas, hybrid and electric vehicle products, new automobile companies have successively entered this market, it is nothing more than to produce environment-friendly vehicles with lower prices and higher quality. Hota industrial manufacturing is a professional manufacturer of transmission parts. In addition to providing technical services closer to customer needs, the Company enhances its competitiveness in the global energy-saving vehicle market and contributes to the automotive industry and the Net Zero carbon emission.
- B. Due to the events in the recent two years including overall issue with regards to worldwide deficiency of orders, materials, sea-freight containers, labor, etc. as a result of impacts by Novel Coronavirus Pneumonia (COVID-19) as well as the influences on the global economy and inflation in exchange rate resulting from the war, the Company shall take grasps on the rapid changes of customers and markets. For the global auto parts, related industries intelligence, and domestic and foreign laws and regulations must be continuously collected to cope with various operational risks in the future.

In the end, I would like to express my sincere gratitude to all shareholders for their long-term support and encouragement. Wish all shareholders healthy and everything as your heart wishes.

Chairman of the Board:  
SHENG, KUO-JUNG

President:  
CHEN, CHUN-CHIH

Accounting Supervisor  
CHEN, CHANG-YUAN



## II. Company Profile

(I) Date of Establishment: January 16, 1973

(II) Company History

Year	Items
1966	<ul style="list-style-type: none"><li>● Ho-Hsing Industrial Co., Ltd., the predecessor of Hota Industrial Mfg. Co., Ltd., was established at Zhengyi St., Taichung City for machining gears and shafts for various machineries, motorcycles, and agricultural equipment.</li></ul>
1973	<ul style="list-style-type: none"><li>● Made expansion with new plant and added equipment, with the floor area at 16,600 meters square. “Hota Industrial Mfg. Co., Ltd.” Was established, with Mr. Tseng, Fu-Zhu as Chairman and registered at a capital of NTD 2 million.</li><li>● Capital of the Company following Capital increase at NTD 13.15 million.</li><li>● New plants put into official production and operation.</li></ul>
1975	<ul style="list-style-type: none"><li>● New office building completed construction and inaugurated.</li><li>● Capital of the Company following Capital increase became NTD 19.15 million.</li><li>● The Company was renamed as “Hota Industrial Development Co., Ltd.” and focused on the development of plants and production of automotive parts.</li></ul>
1977	<ul style="list-style-type: none"><li>● Changed production method into semi-planned production; Capital of the Company following Capital increase became NTD 31 million</li></ul>
1978	<ul style="list-style-type: none"><li>● Advocated the quality management movement and acquired certification as Class A factory for Quality Management.</li></ul>
1979	<ul style="list-style-type: none"><li>● Awarded the title of the first quality assurance demonstration plant of machinery in central Taiwan by Council of Commodity Inspection under Ministry of Economic Affairs (MOEA).</li><li>● Involved in civilian production and supply policy under national defense and industry and started production and manufacturing of military supplies.</li></ul>
1980	<ul style="list-style-type: none"><li>● Awarded again the title of the quality assurance demonstration plant of machinery in central Taiwan by the Bureau of Standards, Metrology &amp; Inspection, MOEA.</li><li>● Initiated precision gear industry development following the national development and machinery industry upgrade policy , with precision gear grinder, spline grinder and other precision machinery and equipment added.</li></ul>
1981	<ul style="list-style-type: none"><li>● Capital of the Company following Capital increase at NTD 37.2 million.</li><li>● Awarded for the third time the title of the quality assurance demonstration plant of machinery in central Taiwan by MOEA.</li></ul>
1982	<ul style="list-style-type: none"><li>● Production of precision gears and shafts for use by machine tools, with gear precision reaching JIS level 1 standards.</li><li>● Signed and entered into a technical cooperation with Nippon Gear Co., Ltd. in Japan.</li><li>● Signed with Mechanical and Systems Research Laboratories under Industrial Technology Research Institute (ITRI) for technical cooperation in developing gear-pitched clutches.</li><li>● Elected as Excellent Quality Plant by the Bureau of Standards, Metrology &amp; Inspection, MOEA.</li><li>● Bank of Communications and China Development and Trust Company made investments to participate in the Company’s operation.</li></ul>
1983	<ul style="list-style-type: none"><li>● Capital of the Company following Capital increase at NTD 95 million.</li></ul>

- Developed production and manufacturing of automotive gearbox in response to automobiles localization.
- 1990 ● The Company changed its name to “Hota Industrial Mfg. Co., Ltd.”; Capital of the Company following Capital increase at NTD 165 million.
- 1993 ● Planned new plant construction and started its execution in response to production needs and utilization of land assets.
- 1994 ● Completion of new plants, introduced TPM activities, and promoted all-out total maintenance and 5S organization and reorganization managements.
- Introduced ISO 9000 International Standard Quality system responding to the trend of world quality requirements; proactively conducting relevant operations and establishing systems all over under the consensus of quality maintenance.
- 1995 ● Obtained ISO 9002 certification for quality assurance system accredited by MOEA and British Standard Institution (BSI) and became the first professional gear manufacturer in Taiwan with international quality recognition.
- Granted by the Investment Commission of MoEA to become the first automotive and motorcycle gear manufacturer to set up plants in China.
- 1996 ● Capital reduced by NTD 41.25 million.
- Made a reinvestment to establish “Wuxi Hota Precision Gear Co., Ltd.” in China.
- Made cash capital increase and post-registration for public offering, with capital of the Company following Capital increase at NTD 183.75 million.
- 1997 ● Capital of the Company following Capital increase at NTD 263.75 million.
- In response to production needs and the Company’s utilization of land assets; Planned new plant construction and implementation.
- 1998 ● Obtained QS 9000 certification accredited by MOEA and BSI and became the first qualified professional gear manufacturer in Taiwan recognized by three leading auto makers in the US.
- Capital of the Company following Capital increase is NTD 366.60 million.
- 1999 ● Completion of plant 2, with major purchases of machines and equipment for mass production of automotive parts, enabling the gradual increase in revenue from sales of automotive parts.
- Awarded by SYM Motors for Quality Assurance Vanguard.
- 2000 ● Stock officially listed on Taiwan Stock Exchange (OTC).
- Capital of the Company following Capital increase at NTD 46,5.179 million.
- Established US subsidiary “Hotatech, Inc.”.
- Passed Industrial Technology Development Program by MoEA.
- 2001 ● Stocks of the Company transferred from Taipei Exchange to stock exchange market for exchange.
- Capital of the Company following Capital increase at NTD 51,2.667 million.
- 2002 ● Capital of the Company following Capital increase at NTD 538.3 million.
- 2003 ● Passed ISO14000 Environmental and Occupational Safety and Health Management system verification.
- Passed ISO/TS 16949 quality management system verification.
- Capital of the Company following Capital increase at NTD 58,3.375 million.
- 2004 ● Purchased adjacent lands for plant expansion to three plants.

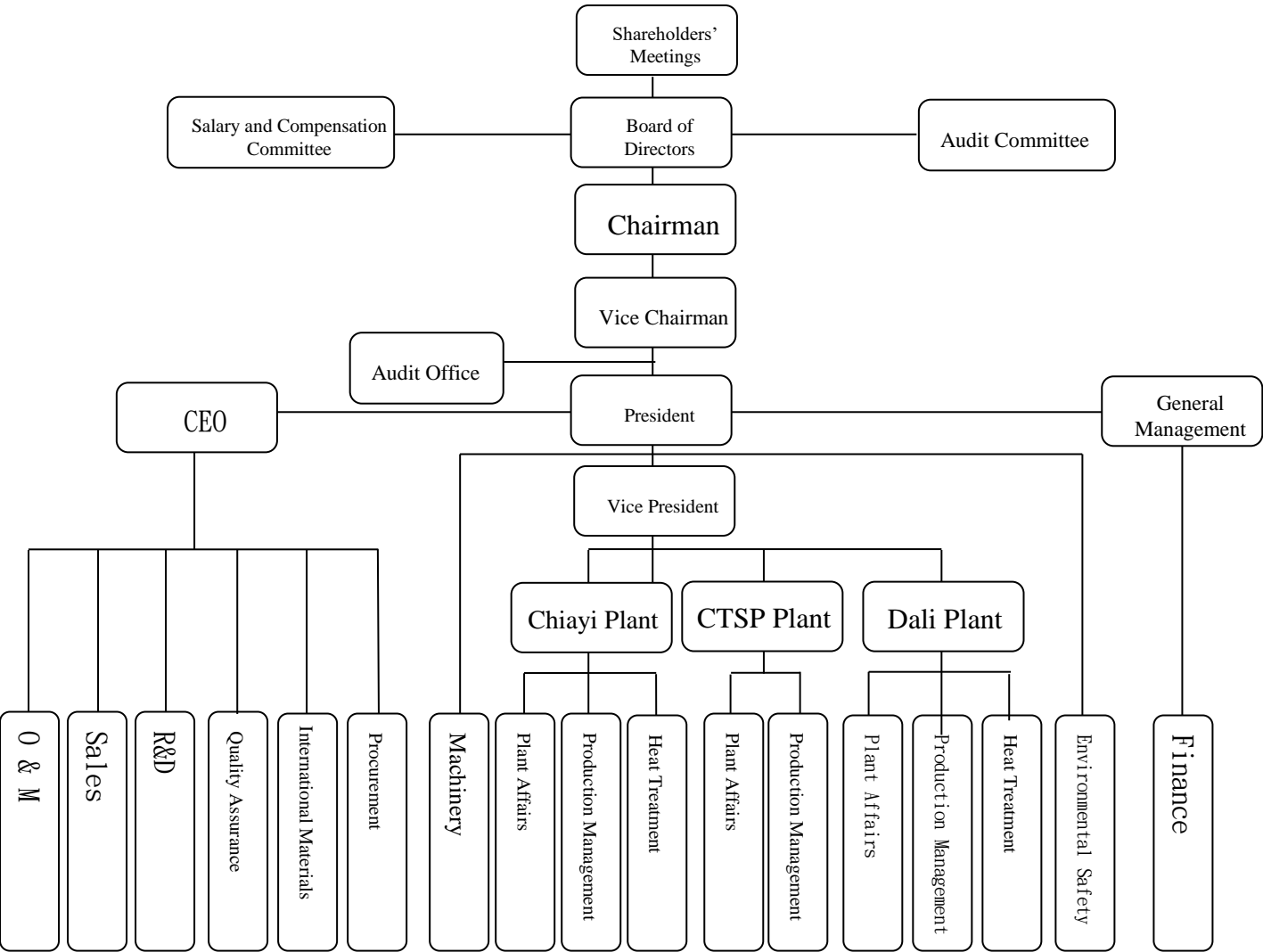
- Purchased Wanmei Plant on Renhua Rd.
- Capital of the Company following Capital increase at NTD 632.812 million.
- 2005 ● Established Hartech Machinery Co., Ltd. for producing and selling gear making machines, becoming the sole gear-shaving machine manufacturer in Taiwan.
- Capital of the Company following Capital increase at NTD 860.076 million.
- Set up the European business representative for developing the European market.
- 2006 ● Planned office construction at CTSP and its execution in response to production needs.
- 2007 ● Established Hota Industrial Mfg. Co., Ltd. CTSP Branch.
- Awarded GM 2006 Global Best Supplier by GM.
- 2008 ● Established Heat Treatment Plant in response to customer needs and control of product quality.
- 2009 ● Successfully developed first homemade gear hobbling machine in Taiwan.
- Capital of the Company following Capital increase at NTD 1737.714 million.
- 2010 ● Cooperated with notable Belgian transmission manufacturer to enter the Chinese automobile CVT (continuous variable speed) transmission market.
- Capital of the Company following Capital increase at NTD 200,3.103 million.
- 2011 ● Awarded EATON 2011 Asia Pacific Best Supplier.
- 2012 ● Awarded The 20th Taiwan High-quality Goods Award by MOEA.
- Awarded again EATON 2012 Asia Pacific Best Supplier.
- 2013 ● Awarded by AGCO of Best Delivery.
- Capital reduced by NTD 78.9 million.
- Capital of the Company following Capital increase at NTD 2,322.403 million.
- 2014 ● Planned construction of new plants in Dapumei Precision Machinery Park, Chiayi.
- Capital of the Company following Capital increase at NTD 2,322.403 million.
- 2015 ● Awarded “2015 Top 20 Innovative Enterprises in Taiwan” by Industrial Development Bureau, MoEA.
- 2016 ● Established Hota Industrial Mfg. Co., Ltd. Chiayi Branch.
- Capital of the Company following Capital increase at NTD 232,240.3million.
- 2017 ● Awarded Sustainable Development Award in AGCO Chinese Suppliers Convention.
- Capital of the Company following Capital increase at NTD 2,549.565 million.
- 2019 ● Awarded National Industry Innovation Award by the MoEA.
- 2020 ● Cancelled treasury shares at NTD 4.39 million.
- Capital of the Company following Capital increase is NTD 2,795.175 million.
- Awarded the Top 100 CEOs in Taiwan by HBR.
- Awarded the Top 500 Excellent Exporters/ Importers in the Year 2019.
- Passed ISO 50001:2018 Energy Management System.
- 2021 ● Awarded 6th Taiwan Mittelstand Award.
- Awarded "Excellence in Sustainable Resilience" by the British Standards Institution (BSI).
- Awarded No. 4 of large enterprises ranking in Central Taiwan Science Park.
- Awarded the Top 500 Excellent Exporters/ Importers in the Year 2020.

- 2022
- Awarded No. 3 of large enterprises ranking in Central Taiwan Science Park.
  - Awarded the Top 500 Excellent Exporters/ Importers in the Year 2021.
  - Awarded K-12 Education Administration, Ministry of Education as Model Caring Company (Workplace Friendly and Creative Hope).
  - Construction of Chiayi 5th plant.

III. Corporate Governance Report

(I) Organization System

1. Organizational Structure



## 2. Main Scope of Affairs for Each Department (Function)

Function	Main Tasks and Responsibilities
Audit Office	<ol style="list-style-type: none"> <li>1. Formulation and conduct of annual audit plans.</li> <li>2. Communications and coordination on rectification suggestions with the department under audit.</li> <li>3. Tracking and secondary review of rectification suggestions.</li> <li>4. Revision suggestions on various operational procedure of Internal Control.</li> </ol>
Finance	<ol style="list-style-type: none"> <li>1. Annual budget planning.</li> <li>2. Preparation of financial reports of each period.</li> <li>3. Drafting and execution of cost control plans.</li> <li>4. Financial management and funds procurement.</li> <li>5. Long/short term investment suggestions and assessment.</li> </ol>
Operating & Management	<ol style="list-style-type: none"> <li>1. Planning and synergy management for various new businesses and projects of the Company.</li> <li>2. Formulation and promotion of business management objectives.</li> <li>3. Planning and conduct of human resource planning and management and personnel appraisal operations.</li> <li>4. Planning and implementation of company education and training.</li> <li>5. Corporate public relations image planning.</li> <li>6. Company general affairs, misc. business matters, and receipt and delivery of documents, files and official documents.</li> <li>7. Administrative procurement, asset management, etc.</li> <li>8. ERP information system management and information workstation hardware maintenance.</li> <li>9. Operation of joint supplier education and training and supplier interaction exchange meeting.</li> </ol>
Environmental Safety	<ol style="list-style-type: none"> <li>1. Access control and management of the Company.</li> <li>2. Environmental (environmental protection) maintenance and planning and ISO14001 implementation management.</li> <li>3. Company Work safety planning and management of the Company.</li> </ol>
Sales	<ol style="list-style-type: none"> <li>1. Responsible for product sales and service.</li> <li>2. Domestic and foreign market development and implementation of marketing plans.</li> <li>3. Planning of marketing strategies for various markets.</li> <li>4. Coordination and handling of customer complaints.</li> </ol>
R&D	<ol style="list-style-type: none"> <li>1. Implementation of R&amp;D plans, quotation and Appraisal of manufacturing procedure and cost for new parts.</li> <li>2. Implementation and tracking management of mass production transfer.</li> <li>3. Drawing technology, equipment, information and drawing management.</li> <li>4. Suggestion and implementation of the annual production technology improvement plan.</li> <li>5. Improvement of production technology and molds and fixtures.</li> <li>6. New product quotation and Appraisal.</li> <li>7. Assistance in contracting, price negotiation and technical guidance.</li> </ol>
International Materials	Responsible for various international procurement matters.
Procurement	<ol style="list-style-type: none"> <li>1. Negotiation on price of outsourcing for external procurement.</li> <li>2. Development of new suppliers.</li> <li>3. Procurement and management of raw materials.</li> <li>4. Review and implementation of raw material purchase costs rationalization.</li> </ol>
Plant Affairs	<ol style="list-style-type: none"> <li>1. Annual production planning and implementation.</li> <li>2. Procedure improvement and environmental maintenance.</li> </ol>
Quality Assurance	<ol style="list-style-type: none"> <li>1. Responsible for product quality control.</li> <li>2. ISO/TS16949 operation execution.</li> <li>3. Handling and countermeasures of customer complaints on quality issues.</li> </ol>
Production Management	<ol style="list-style-type: none"> <li>1. Drafting of production plan and outsourcing management.</li> <li>2. Production control and material management.</li> <li>3. Drafting of annual procurement budget based on production plans.</li> </ol>
Heat Treatment	<ol style="list-style-type: none"> <li>1. Planning and execution of heat treatment engineering and production.</li> <li>2. Design and improvement of heat treatment engineering.</li> </ol>
Machinery	<ol style="list-style-type: none"> <li>1. Design, development and sales of various gear machine tools.</li> <li>2. Design and development of precision measuring instruments.</li> <li>3. New niche product development and design.</li> <li>4. Market research and survey and Appraisal of new niche products.</li> </ol>

## (II) Supervisory Information for Director, Supervisor, President, Vice President, Associate Manager, Departments and Branches

### 1. Director and Supervisor Information (I)

As of April 14, 2023

Role (Note 1)	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date Elected/Assumed	Terms	Date First Elected (Note 3)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 4)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 5)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
Chairman	Taiwanese (ROC)	Sheng, Kuo-Jung (Note 6)	Male 70-75 years old	2020/6/10	3	1990/6/25	3,977,067	1.56	3,824,170	1.37	37,140	0.01	—	—	Honorary Doctorate, IAU INTERNATIONAL AMERICAN UNIVERSITY (US) MBA, the University of Sydney Honorary Doctorate in Management, Chaoyang University of Technology Chairman, Hota Industrial Mfg. Co., Ltd. Chairman, Kao Fong Machinery Co., Ltd. Chairman, Hwa Fong Rubber Ind. Co., Ltd. Chairman, Inalways Corporation	Honorary Chairman, Kao Fong Machinery Co., Ltd. Chairman, Hwa Fong Rubber Ind. Co., Ltd. Chairman, Inalways Corporation Managing Director, Taichung International Entertainment Corporation Chairman Taiwan Science Park Association of Science and Industry Senior Advisor to the President, Presidential Office	Legal Representative of Kao Fong Machinery	Sheng, Chien- Chih	Daughter	—
Director	Taiwanese (ROC)	Lin, Yen-Huey	Male 66-70 years old	2020/6/10	3	1990/6/25	3,541,292	1.39	3,802,174	1.36	—	—	—	—	Pacific Western University Vice Chairman, Hota Industrial Mfg. Co., Ltd.	Director, World Known MFG (Cayman) Ltd. Chairman, Kao Fong Machinery Co., Ltd.	Director	Lin, Mei- Yu	Brother	—
Director	Taiwanese (ROC)	Lin, Mei-Yu	Female 70-75 years old	2020/6/10	3	1990/6/25	3,192,000	1.25	3,266,000	1.17	—	—	—	—	Junior High School Director, Hota Industrial Mfg. Co., Ltd.	—	Director	Lin, Yen- Huey	Brother	—
Director	Taiwanese (ROC)	Tsai, Yu-Kung	Male 60-65 years old	2020/6/10	3	2009/06/16	933,364	0.37	965,000	0.35	—	—	—	—	Department of Machinery, Minghsin Junior Colleges of Technology Director, Hota Industrial Mfg. Co., Ltd.	Responsible Person, Russ Tiger Enterprise Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Huang, Feng- Yih	Male 60-65 years old	2020/6/10	3	2005/06/27	1,819,000	0.71	1,968,000	0.70	—	—	—	—	Tainan Vocational High School Director, Hota Industrial Mfg. Co., Ltd. Supervisor, Kao Fong Machinery Co., Ltd. Director, Ying-Hui Machine Co., Ltd.	Director, Ying-Hui Machine Co., Ltd. Director, Kao Fong Machinery Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Wang, Hui-O	Female 80-85 years old	2020/6/10	3	2017/6/14	800,000	0.31	791,272	0.28	31,230	0.01	—	—	Junior High School Responsible Person, Ho-Hsin Industrial Corporation Director, Hota Industrial Mfg. Co., Ltd.	—	—	—	—	—
Director	Taiwanese (ROC)	Central Investment	—	2020/6/10	3	2011/5/30	10,625,475	4.17	11,985,241	4.29	—	—	—	—	—	—	—	—	—	—

Role (Note 1)	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date Elected/Assumed	Terms	Date First Elected (Note 3)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 4)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 5)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
		Representative: Chang, Yu- Jeng	Male 70-75 years old	2020/6/10	—	2011/5/30	69,152	0.03	74,246	0.03	—	—	—	—	Ph.D. Physics, University of Texas at Austin (US) Director, Hota Industrial Mfg. Co., Ltd. Chairman, Central Motor Co., Ltd. Chairman, Chin Fong Machine Industrial Co., Ltd. Director, Calin Technology Supervisor, Hanlin Brothers Investment Co., Ltd.	Chairman, Chin Fong Machine Industrial Co., Ltd. Chairman, Central Motor Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, Calin Technology Supervisor, Hanlin Brothers Investment Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Central Investment	—	2020/6/10	3	2011/5/30	10,625,475	4.17	11,985,241	4.29	—	—	—	—	—	—	—	—	—	—
		Representative: Lin, Yue-Hong	Male 60-65 years old	2020/6/17	—	2020/6/17	302,000	0.12	324,247	0.12	—	—	—	—	Soochow University Vice Chairman, Central Motor Co., Ltd. Director, Chin Fong Machine Industrial Co., Ltd.	Vice Chairman, Central Motor Co., Ltd. Director, Chin Fong Machine Industrial Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Kao Fong Machinery	—	2020/6/10	3	2010/6/29	6,581,396	2.59	7,066,239	2.53	—	—	—	—	—	—	—	—	—	—
		Representative: Sheng, Chien- Chih (Note 6)	Female 40-45 years old	2020/6/10	—	2010/6/29	100,077	0.04	339,346	0.12	63	—	—	—	Master, Drucker Academy (US) Manager, Dong An Investment Co., Ltd. CEO, Hota Industrial Mfg. Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, World Known MFG (Cayman) Ltd. Independent Director, Orange Electronic Co., Ltd.	Director, Kao Fong Machinery Co., Ltd. Independent Director, Orange Electronic Co., Ltd. Independent Director, Tan De Tech Co., Ltd. Director, World Known MFG (Cayman) Ltd.	Chairman	Sheng, Kuo-Jung	Father	—
Director	Taiwanese (ROC)	Hao-Qing Investment	—	2020/6/10	3	2017/6/14	80,423	0.03	86,347	0.03	—	—	—	—	—	—	—	—	—	—
		Representative: Sun, Yong-Lu	Male 56-60 years old	2020/6/10	—	2018/6/13	227,935	0.09	398,726	0.14	—	—	—	—	Master of Management and Development, Feng Chia University Manager of Constructions, Panda Construction Co., Ltd. Manager of Corporate Management, Da- Tun Cable Television Co., Ltd. Supervisor, Dali Farmers' Association, Taichung City	Supervisor, Dali Farmers' Association, Taichung City	—	—	—	—
Independent Director	Taiwanese (ROC)	Chueh, Ming- Fu	Male 66-70 years old	2020/6/10	3	2017/6/14	—	—	—	—	—	—	—	—	Doctor of Laws, National Chengchi University Judge, Taiwan High Court of Justice Judge, Taipei High Court of Justice Presiding Judge, Taipei High Administrative Court Vice Chief, Discipline, Executive Yuan Judge, Supreme Administrative Court	Attorney at Law	—	—	—	—
Independent Director	Taiwanese (ROC)	Cheng, Wen- Zheng	Male 66-70 years old	2020/6/10	3	2020/6/10	—	—	—	—	—	—	—	—	Master of Management and Development, Feng Chia University Vice President, E- Sun Bank	Independent Director, SDI CORPORATION	—	—	—	—



Role (Note 1)	Nationality or Country of Incorporation	Name	Gender Age (Note 2)	Date Elected/Assumed	Terms	Date First Elected (Note 3)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 4)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 5)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
Independent Director	Taiwanese (ROC)	Liu, Zheng- Huai	Male 66-70 years old	2020/6/10	3	2020/6/10	—	—	—	—	—	—	—	—	Doctor of Business Administration, National Taipei University Project Professor, National Taichung University of Science and Technology Independent Director, Lotus Pharmaceutical Co. Optical Co., Inc. Arbitrator, Chinese Arbitration Association, Taipei Adjunct Professor, Department of Industrial Engineering and Engineering Management, National Tsinghua University Drafter and Grader, Ministry of Examination Independent Director, Engley Holding (Samoa) Ltd.	Adjunct Professor, Department of Accounting Information, National Taichung University of Science and Technology Director, Taipei Jingwen High School Independent Director, Engley Holding (Samoa) Ltd. Independent Director, best precision industrial Co., Ltd. Supervisor, Academy of Taiwan Information Systems Research (ATISR) CPA, Hui-Jia CPA Fir,	—	—	—	—

Note 1: Corporate Shareholder Name and representative(s) shall be respectively listed in the Corporate Shareholder column (Corporate Shareholder representative shall contain Corporate Shareholder Name) and shall be listed in the table 1 below.

Note 2: Please state the actual age and state the age interval into which the actual age falls, e.g., 41~50 years, 51~60 years.

Note 3: In case there are discontinuation in the periods of first assumption as director or supervisor of the Company, such discontinuation shall be described through notes.

Note 4: In case the individual has taken roles in the CPA firm or related businesses which are related to experiences with the current roles in the above-disclosed period, the role and duties of such office shall be described.

Note 5: In case the Chairman and President or equivalent role (supreme manager) of the Company are taken by the same person or of spousal relationship to each other or of 1<sup>st</sup> degree of kinship, information for reasons, necessity, and countermeasures (e.g., addition in number of independent directors, and a majority of directors shall not hold concurrent roles as an employee or manager, etc.) shall be specified.

Note 6: Where the chairperson of the board of directors and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship: Chairman, Sheng, Kuo-Jung and CEO, Sheng, Chien-Chih.

The reason for, reasonableness, necessity thereof: The current operation system of the Company is hybrid system which is help for business succession plan and enhance the efficiency of corporate management.

The measures adopted in response thereto: Increasing the number of independent directors in 2023 re-election. Ensuring that a majority of directors do not concurrently serve as an employee or managerial officer in current.

Table 1: Main Shareholders of Corporate Shareholder

As of April 8, 2021

Corporate Shareholder Name (Note 1)	Main Shareholders of Corporate Shareholder (Note	Shareholding Ratio(%)
Central Investment Co., Ltd.	Chang, Gui-Fen	30.77%
	Chang, Yu-Jeng	20.92%
	Lin, Yue-Hong	16.23%
	Lin, Yue-Zheng	13.38%
	Hanlin Brothers Investment Co., Ltd.	9.85%
	Chang, Yue-Yun	3.46%
	Chang, Hui-Lien	2.81%
	Lian, Bao-Hua	1.73%
	Chiang, Shan	0.46%
	Lin, Shi-Hsiang	0.26%
Kao Fong Machinery Co., Ltd.	He-Zuan Investment Co., Ltd.	15.28%
	Chien-Zhan Co., Ltd.	9.69%
	Manford Machinery Co., Ltd.	2.41%
	Chuan, Fu-Mei	1.63%
	Chuan-Zheng Co., Ltd.	1.53%
	Huang, Feng-Yih	1.49%
	Hao-Qing Investment Ltd.	1.41%
	Lin, Chun-Hong	1.32%
	Sun, Yong-Lu	1.29%
	Juang, Guo-Huei	1.20%
Hao-Qing Investment Ltd.	Sun, Yung-Cang	43.00%
	Sun, Yong-Lu	43.00%
	Sun, Qing-Shou	14.00%

Note1: Where the Director or Supervisor is of Corporate Shareholder representative shall be appended with Corporate Shareholder Name.

Note2: Please enter the name of the Main Shareholders of Corporate Shareholder (whose shareholding ratio is top 10 of all shareholders) and his/her shareholding ratio. Table 2 shall be entered in additionally in case its shareholder is a juristic person.

Note3: Where the Corporate Shareholder is not a corporate organization, the shareholder's name and his/her shareholding ratio as required to be disclosed above refers to contributor or donor name and his/her contribution or donation ratio (for further information, please refer to the announcements of the Judicial Yuan), if a donor has died, please further note "deceased."

Table 2: List of Juristic Persons as Main Shareholders

As of April 8, 2021

Corporate Shareholder Name (Note1)	Main Shareholders of Corporate Shareholder (Note2)	Shareholding Ratio(%)
Hanlin Brothers Investment	Zhi Shang Investment Co.,	100.00%
He-Zuan Investment Co., Ltd.	Hota Industrial Mfg. Co., Ltd.	100.00%
Chien-Zhan Co., Ltd.	Chuan-Zheng Co., Ltd.	71.60%
	Shen, Chien-Yu	17.43%
	Sheng, Chien-Chih	10.13%
	Wang, Li- Li	0.84%
Manford Machinery Co., Ltd.	Avemax Machinery Co., Ltd.	16.29%
	Hsieh, Shu-Yen	10.13%
	Hsieh, Xin-Hua	8.54%
	Chang, Su-Zheng	7.75%
	Hsu, Zong-Sheng	5.21%
	Chen, Bi-Yue	4.81%

	Kaotai Machinery Co., Ltd.	4.81%
	Hsieh, Zhu-Sheng	3.67%
	Hsieh, Ming-Shan	3.03%
	TBB Venture Capital Co., Ltd.	2.99%
Chuan-Zheng Co., Ltd.	Wang, Li-Li	97.62%
	Shen, Chien-Yu	1.17%
	Sheng, Chien-Chih	1.21%
Hao-Qing Investment Ltd.	Sun, Yung-Cang	43.00%
	Sun, Yong-Lu	43.00%
	Sun, Qing-Shou	14.00%

Note1: Where a main shareholder as entered in Table 1 is a juristic person, the name of such juristic person shall be entered in.

Note2: Main shareholder's name (whose shareholding ratio is top 10 of all shareholders of the Company), and its shareholding ratio shall be entered.

Note3: Where the Corporate Shareholder is not a corporate organization, the shareholder's name and his/her shareholding ratio as required to be disclosed above refers to contributor or donor name and his/her contribution or donation ratio (for further information, please refer to the announcements of the Judicial Yuan), if a donor has died, please further note "deceased."

## 2. Director and Supervisor Information (II)

### (1) Disclosure of Information Regarding the Professional Qualifications and Experience of Directors and Supervisors and the Independence of Independent Directors:

Condition Name	Professional qualifications and experience (Note1)	Independence situation(Note2)	Number of Public Companies the Director/Supervisor Serves as Independent Director
Chairman: Sheng, Kuo-Jung	MBA, the University of Sydney, Chairman, Hota Industrial Mfg. Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Chairman, Hwa Fong Rubber Ind. Co., Ltd.  Chairman, Taiwan Science Park Association of Science and Industry Senior Advisor to the President, Presidential Office Ability: Operation Judgment, Accounting & Finance, Operation Management, Industry Knowledge, Leadership Policy, Crisis Handling Leading the Company growth steady and go sustainability.	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Lin, Yen-Huey	Pacific Western University, Vice Chairman, Hota Industrial Mfg. Co., Ltd., Chairman, Kao Fong Machinery Co., Ltd. Director, World Known MFG (Cayman) Ltd. Ability: Operation Judgment, Accounting & Finance, Operation Management, Industry Knowledge, Leadership Policy, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Lin, Mei-Yu	Director, Hota Industrial Mfg. Co., Ltd. (Over 30 years) Ability: Industry Knowledge, Operation Management, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Huang, Feng-Yih	Tainan Vocational High School, Director, YingHui Machine Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Wang, Hui-O	Director, Hota Industrial Mfg. Co., Ltd. Over 5 years Ability: Industry Knowledge, Operation Management, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—

Director: Tsai, Yu-Kung	Department of Machinery, Minghsin Junior Colleges of Technology, Responsible Person, Russ Tiger Enterprise Co., Ltd. Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Central Investment Co., Ltd. Representative: Chang, Yu-Jeng	Ph.D. Physics, University of Texas at Austin (US), Chairman, Central Motor Co. Ltd., Chairman, Chin Fong Machine Industrial Co., Ltd., Director, Kao Fong Machinery Co., Ltd. Director, Calin Technology Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Operation Judgment and Industry Knowledge	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Central Investment Co., Ltd. Representative: Lin, Yue-Hong (Note3)	Soochow University Vice Chairman, Central Motor Co., Ltd. Director, Chin Fong Machine Industrial Co., Ltd. Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Operation Judgment and Industry Knowledge	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu	Master of Management and Development, Feng Chia University Over 5 years Ability: Accounting & Finance, Operation Management, Industry Knowledge, Crisis Handling	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	—
Director: Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih	Master, Drucker Academy (US) Director, Kao Fong Machinery Co., Ltd. Independent Director, Orange Electronic Co., Ltd. Independent Director, Tan De Tech Co., Ltd. Director, World Known MFG (Cayman) Ltd. Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Operation Judgment and Industry Knowledge	No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.	2
Independent Director: Chueh, Ming-Fu	Doctor of Laws, National Chengchi University, Attorney at Law, Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Law and Professional Advice for Law	(1) The member is not an employee of the Company or its related enterprise(s). (2) The member is not a director or supervisor to the Company or its related enterprises (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).	—
Independent Director: Cheng, Wen-Zheng	Master of Management and Development, Feng Chia University, Senior bank executive, Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Financial planning and Professional Accounting Service	(3) Natural person shareholder as a shareholder holding more than 1% of the Company's outstanding shares or top 10 shareholders of the Company who is not the member him/herself or his/her spouse, underage children or holding under the name of others. (4) The member is not a manager as stated in (1), or spouse, relatives under 2nd degree of	1

<p>Independent Director: Liu, Zheng-Huai</p>	<p>Doctor of Business Administration, National Taipei University, Adjunct Professor, Department of Accounting Information, National Taichung University of Science and Technology, Independent Director, Engley Holding (Samoa) Ltd, CPA, Hui-Jia CPA Fir, Ability: Operation Judgment, Operation Management, Accounting &amp; Finance, Industry Knowledge, Leadership Policy, Crisis Handling Professional: Financial planning and Professional Accounting Service</p>	<p>kinship or direct blood relatives under 3rd degree of kinship.</p> <p>(5) A director, supervisor or employee as a Corporate Shareholder who does not directly hold more than 5% of the Company's outstanding shares, in top 5 shareholding among all shareholders, or is not designated as a representative to the director or supervisor following paragraph 1 or 2, Article 27 of the Company Act (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).</p> <p>(6) A director, supervisor or employee of other companies which does not hold a position as the Company's director or whose majority of shares of voting rights is held by the same person (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).</p> <p>(7) Those who are not the Chairman, President or equivalent roles of the company who are the same person or spouse as the Director, Supervisor or employee of another company or institution (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).</p> <p>(8) Director, supervisor, manager of shareholders holding more than 5% of the outstanding share of the Company without financial or business dealing with the Company (however, this does not apply to specific companies or institutions who holds more than 20% but less than 50% of the Company's outstanding shares, and to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).</p> <p>(9) Professionals of business, legal, accounting and relevant services, sole proprietorships, partnerships, or business owners, partners, directors, supervisors, managers and their spouses of other companies or institutions who are not professionals who does not conduct audits for the Company or its related companies or whose cumulative amount of remuneration in the most recent two years does not exceed NTD 500,000. However, Salary and Compensation Committee, Public Acquisition Review Committee, or M&amp;A Special Committee that perform their duties in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act Members shall not apply.</p> <p>(10) Does not have spousal relationship or 2nd degree of kinship with other directors.</p> <p>(11) No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.</p> <p>(12) No occurrence of events which the government, juristic person or its representative(s) is elected, as provided in Article 27 of the Company Act.</p>	<p>2</p>
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(2)The Board of Directors diversification and Independence:

To strengthen the Corporate Governance and promote the sound development of the composition and structure of the Board of Directors, the "Corporate Governance Code of Practice" formulated by the Company contains a diversification policy of the Board of Directors members. As per policy: the composition of the Board of Directors shall take into consideration the company operation structure, business development orientation, future development trend and other needs, and shall evaluate various diversified aspects e.g. basic conditions and values (such as gender, age, nationality and culture, etc.), professional background (such as law, accounting, industry, finance, marketing or technology, etc.), professional skills and industry experience, etc., who are generally prepared with the knowledge, skills and accomplishments necessary to perform the duties to achieve the ideal goal of Corporate Governance.

The 11th Board of Directors of the Company (re-elected in June 2020) consists of 13 directors, including 10 directors and 3 independent directors. All independent directors shall not serve more than three consecutive terms. Director members with the role as an employee account for 23% of all director members and 23% of all directors. Percentage of Female Directors is 23%. In addition, most director members have rich experience and expertise in finance, business and management, and can fully assist the company in formulating major policy orientations and responding to market crises. The relevant diversification and implementation conditions are as follows:

Diversity Items Director Name	Basic Component											Professional ability					
	Nationality	Gender	Employee	age					Term of office for independent directors (Years)			Operation Judgment	Accounting & Finance	Operation Management	Industry Knowledge	Leadership Policy	Crisis Handling
				41-50 years old	51-60 years old	61-70 years old	71-80 years old	81-90 years old	Under 3 years	4-6 years	7-9 years						
Sheng, Kuo-Jung	Taiwanese (ROC)	Male	✓	—	—	—	✓	—	—	—	—	✓	✓	✓	✓	✓	✓
Lin, Yen-Huey	Taiwanese (ROC)	Male	✓	—	—	✓	—	—	—	—	—	✓	✓	✓	✓	✓	✓
Huang, Feng-Yih	Taiwanese (ROC)	Male	—	—	—	✓	—	—	—	—	—	✓	✓	✓	✓	✓	✓
Central Investment Co., Ltd. Representative: Chang, Yu-Jeng	Taiwanese (ROC)	Male	—	—	—	—	✓	—	—	—	—	✓	✓	✓	✓	✓	✓
Central Investment Co., Ltd. Representative: Lin, Yue-Hong	Taiwanese (ROC)	Male	—	—	—	✓	—	—	—	—	—	✓	✓	✓	✓	✓	✓
Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih	Taiwanese (ROC)	Female	✓	✓	—	—	—	—	—	—	—	✓	✓	✓	✓	✓	✓
Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu	Taiwanese (ROC)	Male	—	—	✓	—	—	—	—	—	—	—	✓	✓	✓	—	✓

Tsai, Yu-Kung	Taiwanese (ROC)	Male	—	—	—	✓	—	—	—	—	—	✓	✓	✓	✓	✓	✓
Wang, Hui-O	Taiwanese (ROC)	Female	—	—	—	—	—	✓	—	—	—	—	✓	✓	✓	—	✓
Lin, Mei-Yu	Taiwanese (ROC)	Female	—	—	—	—	✓	—	—	—	—	—	✓	✓	✓	—	✓
Chueh, Ming-Fu	Taiwanese (ROC)	Male	—	—	—	✓	—	—	—	✓	—	✓	✓	✓	✓	✓	✓
Cheng, Wen-Zheng	Taiwanese (ROC)	Male	—	—	—	✓	—	—	✓	—	—	✓	✓	✓	✓	✓	✓
Liu, Zheng-Huai	Taiwanese (ROC)	Male	—	—	—	✓	—	—	✓	—	—	✓	✓	✓	✓	✓	✓

Note 1: Professional qualifications and experience: Specify the professional qualifications and experience of each director and supervisor. If a member of the Audit Committee, specify their accounting or finance background and P. 4 of 91 work experience. Additionally, specify whether any circumstance under any subparagraph of Article 30 of the Company Act exists with respect to a director or supervisor

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? ; specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees); do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)?; specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

Note 3: Regarding the method for disclosure, please refer to the “SAMPLE ANNUAL REPORT” page on the website of the Taiwan Stock Exchange Corporate Governance Center.

Note 4: Central Investment Co., Ltd. has reassigned a new representative Mr. Lin, Yue-Hong on June 17, 2020

### 3. Supervisor Information Incl. President, Vice President, Director, Each Department (Function) and Branches

As of April 14, 2023

Role (Note1)	Name	Gender	Date Elected	Shares Held		Shares Held by Spouse or Underage Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 2)	Concurrent Roles in Other Companies	Manager with Spousal Relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note3)
				Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
President	Chen, Chun- Chih	Male	1998/9/1	248,165	0.09	—	—	—	—	Vice President, CENDAI INDUSTRIAL CO., LTD. Department of Industrial Engineering, Feng Chia University	Director, Ho-Zhan Investment Co., Ltd. Director, HOWON POWERTRAIN CO., LTD. Director, Ling-Wei Co., Ltd. Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
CEO	Sheng, Chien- Chih	Female	2014/3/1	339,346	0.12	63	—	—	—	Master, Drucker Academy (US) Manager, Dong An Investment Co., Ltd. CEO, Hota Industrial Mfg. Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, World Known MFG (Cayman) Ltd. Independent Director of Orange Electronic Co., Ltd.	Director, Kao Fong Machinery Co., Ltd. Independent Director of Orange Electronic Co., Ltd. Director, World Known MFG (Cayman) Ltd.	—	—	—	—
Vice President	Sun, Cheng- Zhi	Male	2017/6/1	11,782	—	—	—	—	—	President, HOWIN PRECISION CO., LTD. College Student Class, ROC Military Academy	Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
Vice President Concurrently Serving as Financial Supervisor	Shen, Shui- Hsiang	Male	1997/1/1	1,003,277	0.36	1,073	—	—	—	Planning Section Chief, Wei-Li Textile Co., Ltd. Department of Cooperative Business, Wu-Feng Junior College of Business	Director, Wuxi Hota Precision Gear Co., Ltd. Director, HOWIN PRECISION CO., LTD. Supervisor, Ho-Zuan Investment Co., Ltd.	—	—	—	—
Senior Manager	Chen, Tang-Ping	Male	2012/5/14	909	—	—	—	—	—	Department of Machinery, Yunlin Industrial College	Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
Senior Manager r	Chang, Ren-You	Male	2016/1/1	—	—	—	—	—	—	Department of Mechanical Engineering, Nankai Junior Colleges of Technology	—	—	—	—	—
Senior Manager	Liu, Jian- Yi	Male	2017/6/1	—	—	—	—	—	—	Junior Colleges of Technology Automation Designer, Tatung Company Department of Machinery, Lunghwa	—	—	—	—	—



Senior Manager	Wu, Zhao-He	Male	2017/6/1	350	—	—	—	—	—	Department of Economics, Tamkang University Section Chief, JOHN-VALVE MFG. FACTORY CO., LTD Sales Engineer, SYRIS Technology Corp	—	—	—	—	—
Accounting Manager	Chen, Chang-Yuan	Male	2021/11/10	—	—	—	—	—	—	Deputy assistant general manager, Management Department, Kao Fong Machinery Co., Ltd. Deputy assistant general managers, Audit Department, PwC Taiwan	Supervisor, He Fu Construction Co., Ltd	—	—	—	—

Note1: Supervisor data of the President, Vice President, Director, and each department (function) and branch, and roles equivalent to President, Vice President or Director shall be included, and, without regards to the roles, be disclosed.

Note2: In case the individual has taken roles in the CPA firm or related businesses which are related to experiences with the current roles in the above-disclosed period, the role and duties of such office shall be described.

Note3: In case the President or equivalent role (supreme manager) and the Chairman of the Company are taken by the same person or of spousal relationship to each other or of 1st degree of kinship, information for reasons, necessity, and countermeasures (e.g., addition in number of independent directors, and a majority of directors shall not hold concurrent roles as an employee or manager, etc.) shall be specified.

### (III) Remuneration Paid to Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Year

#### 1. General Remuneration for Directors and Independent Directors (Name and remuneration method disclosed respectively)

Unit: NTD Thousand

Role	Name	Directors' Remuneration								Sum of A+B+C+D and ratio to net income (Note 10)		Relevant Remuneration Claimed by Concurrent Employees								Sum of A+B+C+D+E+F+G and ratio to net income (Note 10)		Remuneration Claimed from Re-Invested Business of Subsidiary or Parent Company (Note 11)
		Compensation (A) (Note 2)		Pension (B)		Directors' Compensation (C) (Note 3)		Fees for Professional Practice (D) (Note 4)				Salary, Bonus and Special Allowance, etc.(E) (Note5)		Pension(F)		Employees' Compensation(G) (Note6)						
		The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note7)	The Company	All Companies included in Financial Report (Note7)	The Company	All Companies included in Financial Report (Note7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note7)	The Company	All Companies included in Financial Report (Note7)			
Director	Sheng, Kuo-Jung	0	0	0	0	600	600	120	126	0.12	0.12	7,238	9,506	337	337	380	—	380	0	1.39	1.76	None
Director	Lin, Yen-Huey	0	0	0	0	600	600	120	126	0.12	0.12	5,738	7,240	278	278	300	—	300	0	1.13	1.37	None
Director	Lin, Mei-Yu	0	0	0	0	300	300	120	120	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Director	Huang, Feng-Yih	0	0	0	0	300	300	120	120	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Director	Wang, Hui-O	0	0	0	0	300	300	120	120	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Director	Tsai, Yu-Kung	0	0	0	0	300	300	120	120	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Director	Hao-Qing Investment	0	0	0	0	300	300	0	0	0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
	Representative: Sun, Yong-Lu	0	0	0	0	0	0	120	120	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Director	Central Investment	0	0	0	0	600	600	0	0	0.10	0.10	0	0	0	0	0	0	0	0	0.10	0.10	None
	Representative: Chang, Yu-Jeng	0	0	0	0	0	0	120	120	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
	Representative: Lin, Yue-Hong	0	0	0	0	0	0	120	120	0.02	0.02	0	0	0	0	0	0	0	0	0.02	0.02	None
Director	Kao Fong Machinery	0	0	0	0	300	300	0	0	0.05	0.05	0	0	0	0	0	0	0	0	0.05	0.05	None
	Representative: Sheng, Chien-Chih	0	0	0	0	0	0	120	120	0.02	0.02	3,041	3,041	151	151	200	0	200	0	0.56	0.56	None
Independent Director	Chueh, Ming-Fu	420	420	0	0	0	0	40	40	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Independent Director	Cheng, Wen-Zheng	420	420	0	0	0	0	40	40	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
Independent Director	Liu, Zheng-Huai	420	420	0	0	0	0	40	40	0.07	0.07	0	0	0	0	0	0	0	0	0.07	0.07	None
1. Please elaborate Independent Director remuneration payment policy, system, standard and structure, with relevance of factors concerning duties, risks, time contribution with amount of remuneration paid: The Company's Independent Director remuneration is payable monthly in accordance with "Regulations Governing Management of Directors' Compensation and Remuneration". 2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as a parent company /any consolidated entities /invested enterprises/an advisor other than employee in the most recent year: No such occurrence in the Company.																						

Table of Remuneration Tiers

Tiers for Payments of Remuneration to Each Director of the Company	Director Name			
	Total Amount of Remuneration For the First Four Items (A+B+C+D)		Total of Remuneration for the First <u>Seven</u> Items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies included in Financial Report (Note 9) H	The Company (Note 8)	All Companies included in Financial Report (Note9) I
Under NTD 1,000,000	Sheng, Kuo-Jung, Lin, Yen-Huey, Lin, Mei-Yu Wang, Hui-O, Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong) Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang	Sheng, Kuo-Jung, Lin, Yen-Huey, Lin, Mei-Yu Wang, Hui-O, Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong) Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang	Lin, Mei-Yu, Wang, Hui-O Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai	Lin, Mei-Yu, Wang, Hui-O Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai
NTD 1,000,000 (incl.) ~ NTD 2,000,000 (under)	—	—	—	—
NTD 2,000,000 (incl.) ~ NTD 3,500,000 (under)	—	—	—	—
NTD 3,500,000 (incl.) ~ NTD 5,000,000(under)	—	—	Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih)	Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih) Lin, Yen-Huey
NTD 5,000,000(incl.) ~ NTD 10,000,000(under)	—	—	Sheng, Kuo-Jung, Lin, Yen-Huey	Sheng, Kuo-Jung
NTD 10,000,000 (incl.) ~ NTD 15,000,000 (under)	—	—	—	—
NTD 15,000,000 (incl.) ~ NTD 30,000,000 (under)	—	—	—	—
NTD 30,000,000 (incl.) ~ NTD 50,000,000 (under)	—	—	—	—
NTD 50,000,000 (incl.) ~ NTD 100,000,000 (under)	—	—	—	—
Over NTD 100,000,000	—	—	—	—
Total	13	13	13	13

Note 1: Directors' name shall be entered in separately (Corporate Shareholder Name and representative(s) shall be listed respectively under the Corporate Shareholder), with respective listing as general Director and Independent Director, disclosing various payment amounts in aggregate. In case a director concurrently serves as President or Vice President, the information shall be entered in this Table and the following Table (3-1), or the following Tables (3-2-1) and (3-2-2).

Note 2: Refers to Director's remuneration in the Most Recent Year (incl. Director's salary, duties allowance, service pay, various bonuses, incentives etc.).

Note 3: Refers to entering the amount of Directors' Compensation Amount as distributed by the Board of Directors in the Most Recent Year.

Note 4: Refers to Director's relevant fees for professional practice in the Most Recent Year (incl. travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects). Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration.

Note 5: Refers to claims including salary, duties allowance, service pay, various bonuses, incentives, travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects by the director with concurrent role as an employee (including concurrent role as President, Vice President, other managers and employee, etc.) in the most recent year. In case of provision of houses, cars or other transportations or exclusive expenses, characteristics and costs, rental based on actual amount or at fair value of the market price, fuel expense and other payments of the provided asset shall be disclosed. Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration. In addition, in accordance with salary expense recognized under IFRS 2 "Share-Based Payment", such expense including obtaining of employee stock subscription share certificate, restricted stock awards and participation in cash capital increase for subscription of shares, etc., shall also be recognized as remuneration.

Note 6: Refers to entering amount of Employees' Compensation (incl. stock and cash) as claimed by a concurrent employee (incl. concurrent president, vice president, other manager and employee) in the most recent year, which the amount distributed by the Board of Directors in the most recent year shall be disclosed; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year, with Table 1-3 entered in.

Note 7: Shall disclose the total amount of various remunerations paid to directors by all companies in the consolidated report (incl. the Company)

Note 8: The amounts of various remunerations paid to each director by the Company shall have the name of the director disclosed in the attributed tier.

Note 9: The amounts of various remunerations paid to each director by all companies in the consolidated report (including the Company) shall be disclosed, with names of directors disclosed at attributed tiers.

Note 10: Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 11: a. This column shall contain explicit list the amounts of relevant remunerations claimed by president and vice president of the Company from non-subsidary re-invested business or from the Parent Company. (enter "none" if no such remuneration.)

Note 12: b. In case the Company's director has claimed remunerations relevant to non-subsidary re-invested businesses or the Parent Company, the remuneration relevant to non-subsidary re-invested businesses or the Parent Company claimed by the Director of the Company shall be merged into column I of the Remuneration Tier table, with the column name changed to "Parent Company and All Re-Invested Businesses".

Note 13: c. Remuneration refers to the compensation concerning pay, compensation (incl. employee, director and supervisor compensation) and fees for professional practice claimed by the Company's President and Vice President while serving as director, supervisor or manager of the non-subsidary re-invested businesses or Parent Company.

Note 14: Independent Director: Mr. Cheng, Wen-Zheng and Mr. Liu, Zheng-Huai assumed office on June 10, 2020.

Note 15: Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

\*Remuneration details as disclosed in this table contains a different concept as the Income Tax Act and is therefore intended for information disclosure only and does not serve as taxation use.

2. Supervisors' remuneration: not applicable.

3. President and Vice Presidents' remuneration (Name and remuneration disclosed respectively)

Unit: NTD Thousand

Role	Name	Salary (A) (Note2)		Pension (B)		Bonus and Special Allowance, etc. (C) (Note 3)		Amount of Employees' Compensation (D) (Note 4)				Sum of A+B+C+D and ratio to net income (Note8)		Remuneration Claimed from Re-Invested Business of Subsidiary or Parent Company (Note9)
		The Company	All Companies included in Financial Report (Note5)	The Company	All Companies included in Financial Report (Note5)	The Company	All Companies included in Financial Report (Note 5)	The Company		All Companies included in Financial Report (Note 5)		the Company	All Companies included in Financial Report (Note6)	
								Cash Amount	Stock Amount	cash Amount	Stock Amount			
President	Chen, Chun-Chih	4,736	4,736	224	224	0	0	300	0	300	0	0.84	0.84	None
CEO	Sheng, Chien-Chih	3,041	3,041	151	151	0	0	200	0	200	0	0.54	0.54	None
Vice President	Shen, Shui-Hsiang	2,193	2,193	117	117	0	0	150	0	150	0	0.39	0.39	None
Vice President	Sun, Cheng-Zhi	1,931	1,931	107	107	0	0	120	0	120	0	0.35	0.35	None

\* Regardless of the role, where an individual serves as a role equivalent to President, Vice President (e.g. President, CEO, Director, etc.) shall be disclosed.

## Remuneration Tiers

Remuneration Tiers for Payments to Each President and Vice President of the Company	President and Vice President Name	
	The Company (Note 6)	All Companies included in Financial Report (Note 7) E
Under NTD 1,000,000	—	—
NTD 1,000,000(incl.) ~ NTD 2,000,000(under)	—	—
NTD 2,000,000(incl.) ~ NTD 3,500,000(under)	Shen, Shui-Hsiang, Sheng, Chien-Chih, Sun, Cheng-Zhi	Shen, Shui-Hsiang, Sheng, Chien-Chih, Sun, Cheng-Zhi
NTD 3,500,000(incl.) ~ NTD 5,000,000(under)	—	—
NTD 5,000,000(incl.) ~ NTD 10,000,000(under)	Chen, Chun-Chih	Chen, Chun-Chih
NTD 10,000,000(incl.) ~ NTD 15,000,000(under)	—	—
NTD 15,000,000(incl.) ~ NTD 30,000,000(under)	—	—
NTD 30,000,000(incl.) ~ NTD 50,000,000(under)	—	—
NTD 50,000,000(incl.) ~ NTD 100,000,000(under)	—	—
Over NTD 100,000,000	—	—
Total	4	4

Note 1: Name of each president and vice president shall be entered in separately, disclosing various payment amounts in aggregate. In case a director concurrently serves as President or Vice President, the information shall be entered in this Table and the above Table (1-1), or Tables (1-2-1) and (1-2-2)

Note 2: Refers to entering in President and Vice President's salary, duties allowance, service pay, etc. in the most recent year.

Note 3: Refers to claims including salary, duties allowance, service pay, various bonuses, incentives, travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects by the director with concurrent role as an employee (including concurrent role as President, Vice President, other managers and employee, etc.) in the most recent year. In case of provision of houses, cars or other transportations or exclusive expenses, characteristics and costs, rental based on actual amount or at fair value of the market price, fuel expense and other payments of the provided asset shall be disclosed. Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration. In addition, in accordance with salary expense recognized under IFRS 2 "Share-Based Payment", such expense including obtaining of employee stock subscription share certificate, restricted stock awards and participation in cash capital increase for subscription of shares, etc., shall also be recognized as remuneration.

Note 4: Refers to entering amount of Employees' Compensation (incl. stock and cash) distributed to President and Vice President by the Board of Directors in the most recent year; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year, with Table 1-3 entered in. Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 5: The amounts of various remunerations paid to each president and vice president by all companies in the consolidated report (including the Company) shall be disclosed.

Note 6: The amounts of various remunerations paid to each president and vice president by the Company shall have the names of the presidents and vice presidents disclosed in the attributed tier.

Note 7: The amounts of various remunerations paid to each president and vice president by all companies in the consolidated report (incl. the Company) shall be disclosed, with the names of the presidents and vice presidents disclosed in the attributed tiers.

Note 8: Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 9: a. This column shall contain explicit list the amounts of relevant remunerations claimed by president and vice president of the Company from non-subsiary re-invested business or from the Parent Company. (enter "none" if no such remuneration.)

b. In case the Company's director has claimed remunerations relevant to non-subsiary re-invested businesses or the Parent Company, the remuneration relevant to non-subsiary re-invested businesses or the Parent Company claimed by the Director of the Company shall be merged into column E of the Remuneration Tier table, with the column name changed to "Parent Company and All Re-Invested Businesses".

c. Remuneration refers to the compensation concerning pay, compensation (incl. employee, director and supervisor compensation) and fees for professional practice claimed by the Company's President and Vice President while serving as director, supervisor or manager of the non-subsiary re-invested businesses or Parent Company.

\* Remuneration details as disclosed in this table contains a different concept as the Income Tax Act and is therefore intended for information disclosure only and does not serve as taxation use.

4. Analysis on proportion of the total remuneration paid to the Company's director, supervisor, president and vice president by the Company and all companies in the consolidated financial statements in the most recent two years to net profit after tax, and explanations on the remuneration payment policy, standard and combination, and the relevance of Procedure for Determining Remunerations and business performance.

- (1) Analysis on proportion of the total remuneration paid to the Company's director, supervisor, president and vice president by the Company and all companies in the consolidated financial statements in the most recent two years to net profit after tax

Tear	Total Amount of Director, President and Vice President Remuneration (NTD Thousand)		Proportion of Total to Net Profit After Tax ( % )	
	The Company	All Companies in the Consolidated Report	The Company	All Companies in the Consolidated Report
2022	33,721	37,510	5.40	6.01
2021	33,367	37,337	9.76	10.92

- (2) The Company's remuneration payment policy, standard and combination, and the relevance of procedure for determining remunerations to business performance and future risks

A. Remuneration payment policy, standard and combination

The Company conducts payments of Director remuneration in accordance with "Articles of Incorporation" and "Regulations Governing Management of Directors' Compensation and Remuneration", which can be divided into three categories: Directors' Remuneration, Fees for Professional Practice and Directors' Compensation; the President and vice president's remuneration paid by the Company can be divided into three categories: salary, bonus and Employees' Compensation, approved by the Chairman under authorization by the Board of Directors in accordance with the relevant salary audit regulations of the Company.

B. Procedure for Determining Remunerations

As per provision in the Articles of Incorporation of the Company, if there is a profit, no less than 5% shall be set aside as Employees' Compensation, which the Board of Directors shall decide to distribute it by stock or cash to subjects including the employees of the controlling or subordinate company meeting certain specific conditions, with "certain specific conditions" set by the Board of Directors.

The Company may, based on the amount of the said profit, have the Board of Directors adopt a distribution of no more than 5% as Directors' Compensation.

The distribution of Employees' Compensation and Directors' Compensation shall be reported to the shareholders meeting.

C. Relevance to Management Performance and Future Risks

The performance appraisal and salary and remuneration for the Company's Director and managers are, in addition to reference to the general levels of peers, taking into consideration the operation results and their contribution to the Company's performance, with comprehensive consideration of the amount of salary and remuneration, payment methods and the Company's future risks, etc. which are highly relevant to the Company's operating responsibilities and overall performance.

Name of Managers Conducting Distribution of Employees' Compensation and Distribution Status

	Role	Name	Stock Amount	Cash Amount	Total	Proportion of Total to Net Profit After Tax ( % )
Managers	President	Chen, Chun-Chih	0	1,550	1,550	0.45
	CEO	Sheng, Chien-Chih				
	Vice President	Shen, Shui-Hsiang				
	Vice President	Sun, Cheng-Zhi				
	Senior Manager	Chen, Tang-Ping				
	Senior Manager	Chang, Ren-You				

	Senior Manager	Liu, Jian-Yi				
	Senior Manager	Wu, Zhao-He				
	Manager	Chen, Jun-An				
	Manager	Chen, Li-Ting				
	Manager	Liu, Hong-Ji				
	Manager	Xu, Jin-Xiang				
	Manager	Chen, Yue-Huang				
	Manager	Cai, Yao-Yi				
	Assistant Manager	Huang Wu, Xiu-Yang				
	Accounting Department Supervisor	Chen, Chang-Yuan				
	Accounting Department Supervisor	Chen, Tai-Lin				

Note 1: Name and role of individual shall be disclosed; however, the profit distribution may be disclosed in aggregate.

Note 2: Refers to entering amount of Employees' Compensation (incl. stock and cash) distributed to President and Vice President by the Board of Directors in the most recent year; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year. Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 3: Scope of Application for Managers: as per 27 March 2003 Letter No. Taiwan-Financial-Exchange 0920001301, the scope is as follows:

- (1) President and roles of equivalent hierarchy
- (2) Vice President and roles of equivalent hierarchy
- (3) Director and roles of equivalent hierarchy
- (4) Financial Department Supervisor
- (5) Accounting Department Supervisor
- (6) Other individuals having rights to manage affairs and sign for the Company.

Note 4: Where the director, president and vice president claims Employees' Compensation (incl. stock and cash), this Table shall be entered in, in addition to the appended Table 1-2.

#### (IV) Corporate Governance Operation Status

##### 1. Board of Directors Operation Status:

In 2022, a total of 5 Board of Directors meetings were convened, with attendance by Directors as follows:

Role	Name (Note 1)	Number of Actual Presence (Attendance) B	Number of Delegated Presence	Actual Presence (Attendance) Rate (%) [B/A] (Note 2)	Remarks
Chairman	Sheng, Kuo-Jung	4	1	80%	Re-elected
Director	Lin, Yen-Huey	4	1	80%	Re-elected
Director	Lin, Mei-Yu	4	1	80%	Re-elected
Director	Huang, Feng-Yih	4	1	80%	Re-elected
Director	Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih	5	0	100%	Re-elected
Director	Central Investment Co., Ltd. Representative: Chang, Yu-Jeng	3	2	60%	Re-elected
Director	Central Investment Co., Ltd. Representative: Lin, Yue-Hong	5	0	100%	Re-elected
Director	Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu	5	0	100%	Re-elected
Director	Wang, Hui-O	4	1	80%	Re-elected
Director	Tsai, Yu-Kung	2	3	40%	Re-elected
Independent Director	Chueh, Ming-Fu	4	1	80%	Re-elected
Independent Director	Cheng, Wen-Zheng	5	0	100%	New
Independent Director	Liu, Zheng-Huai	5	0	100%	New

Note 1: Where a director or Supervisor is of juristic person, the corporate shareholder's name and its representative(s) name(s) shall be disclosed.

Note 2: (1) Where there is a director or supervisor resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

(2) Where there is a by-election of director or supervisor prior to the end of a year, the names of new and incumbent directors and supervisors shall be listed, with status of such director or supervisor (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

Other Matters Deserving Special Mentions:

- (1) Where there is any of the following situations throughout the operation of Board of Directors, the date, period, content of proposal, opinions by all independent director and the Company's handling of independent director opinions should be stated:

A. Matters as provided in Article 14-3 of the Securities and Exchange Act:

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2022/03/16	1. To build No 5 Plant in Chiayi.	Agree	Passed as Proposed
	2. To amend partial articles of the Company's "Code of Corporate Governance Practices".	Agree	Passed as Proposed
	3. To amend name and partial articles of the Company's "Corporate Social Responsibility Best Practice Principles".	Agree	Passed as Proposed
	4. To amend partial articles of the Company's "Procedures for Acquisition or Disposal of Assets"	Agree	Passed as Proposed
2022/05/11	1. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.	Agree	Passed as Proposed
	2. The Company provide the property to Hefu Construction Co., Ltd. for apply loan from financial institution.	Agree	Passed as Proposed
2022/08/11	Renewal for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.	Agree	Passed as Proposed
2022/11/09	1. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd..	Agree	Passed as Proposed
	2. Proposed increase in investment in a subsidiary, CAPTAIN HOLDING CO., LTD, and indirectly increase its investment of sub- subsidiary, HOWON POWERTRAIN CO., LTD.	Agree	Passed as Proposed
	3. The Company's proposed loan to sub-subsidiary HOWON POWERTRAIN CO., LTD.	Agree	Passed as Proposed
	4. Amendment partial articles of the "Rules of Procedure for the Board of Directors Meetings".	Agree	Passed as Proposed
	5. Amendment partial articles of the "Operational Procedure for Internal Material Information Handling".	Agree	Passed as Proposed
	6. To amend partial articles of the Company's "Regulations Governing Performance Appraisal on the Board of Directors".	Agree	Passed as Proposed
2022/12/14	To build Plant in Dali	Agree	Passed as Proposed

- B. Other Board of Directors resolutions that have been opposed or qualified by the Independent Director and have records or written statements, in addition to the above-mentioned affairs: None.

- (2) The director's implementation of the proposal with respect to interest should state the Director Name, Content of Proposal, the reason for the avoidance of interest and the status of participation in voting: None.
- (3) A Public/Listed Company shall disclose information such as Appraisal Interval and Period, Scope of Appraisal, Method and Appraisal Contents, etc. of the Board of Directors' self (or peer) Appraisal and fill in Implementation Status on Appraisal of Board of Directors.
- The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.91 out of 5. The weighted average score for the performance of the individual directors is 4.93 out of 5. As demonstrated, the overall board's operation has been effective. Audit Committee Performance Self-Appraisal Result is 4.95/ 5, Salary and Compensation Committee Performance Self-Appraisal Result is 5/ 5, all members were satisfied with the measurement items.



### Implementation Status on Appraisal of Board of Directors

Appraisal Interval (Note 1)	Appraisal Period (Note 2)	Scope of Appraisal (Note 3)	Appraisal Method (Note 4)	Appraisal Contents (Note 5)	Evaluation Result
Conducted once every year	2022/01/01-2022/12/31	All Board of Directors	Board of Directors Internal Self Appraisal	A. Level of Involvement to the Company's Operations B. Facilitating Decision-Making Quality by the Board of Directors C. Composition and Structure of the Board of Directors D. Elections and Continued Training of Director E. Internal Control	Evaluation Result:4.91
Conducted once every year	2021/01/01-2021/12/31	Each Director member	Self-Appraisals by Directors	A. Holding of Company Goals and Missions B. Recognition of Directors' Duties C. Level of Involvement to the Company's Operations D. Internal Relationship Management and Communications E. Directors' Professional and Continuing Training F. Internal Control	Evaluation Result:4.93
Conducted once every year	2022/01/01-2022/12/31	Functional committee	Self-Appraisals by Audit Committee Directors	A. Level of Involvement to the Company's Operations B. Recognition of Directors' Duties C. Decision-Making Quality by the functional committee D. functional committee composition and member selection E. Internal Control	Evaluation Result:4.95
Conducted once every year	2021/01/01-2021/12/31	Functional committee	Self-Appraisals by Salary and Compensation Committee Directors	A. Level of Involvement to the Company's Operations B. Recognition of Directors' Duties C. Decision-Making Quality by the functional committee D. functional committee composition and member selection	Evaluation Result:5

Note 1: Only list the implementation interval for appraisals by the Board of Directors.

Note 2: Only list the period covered by Board of Directors appraisals

Note 3: Scope of Appraisal include Board of Directors, each Director member and performance appraisal by functional committee.

Note 4: The appraisal methods include Board of Directors Internal Self Appraisal, Director member self-appraisal, peer appraisal and performance appraisal by entrusted external professional institution, experts or other methods as Fair.

Note 5: Appraisal Contents shall at least, based on scope of appraisal, include the following items:

- (1) Board of Directors performance appraisal: shall at least include Level of Involvement to the Company's Operations, Decision-Making Quality by the Board of Directors, Composition and Structure of the Board of Directors, Elections and Continued Training of Director, Internal Control, etc.
  - (2) Each Director member performance appraisal: shall at least include Holding of Company Goals and Missions, Recognition of Directors' Duties, Level of Involvement to the Company's Operations, Internal Relationship Management and Communications, Directors' Professional and Continuing Training, Internal Control, etc.
  - (3) functional committee performance appraisal: Level of Involvement to the Company's Operations, Recognition of Directors' Duties, Decision-Making Quality by the functional committee, functional committee composition and member selection, Internal Control, etc.
- (4) Goals and implementation assessment for strengthening of the Board of Directors function in the current year and in the most recent year:

- A. Operations for strengthening Board of Directors Functions: the Company's Board of Directors are handled in accordance with "Rules of Procedure for the Board of Directors Meetings", with Directors' attendance at Board of Directors meetings entered in MOPS; in addition, to fulfill the spirit of Corporate Governance and effectively enhance information transparency, we fully disclose various management and financial messages to the Company website. Besides, we encourage our directors to participate in various training courses to strengthen Board of Directors functions.
- B. Enhancement in information transparency, etc.: the Company's financial reports are audited and attested regularly by PricewaterhouseCoopers Taiwan under commission, which the various information disclosures as required by laws and regulations can be completed correctly in a timely manner. In addition, dedicated personnel have been designated to take responsibility of company information collection and disclosure tasks, while establishing a spokesman system, to ensure various material information can be disclosed in a timely and Fair manner.

## 2. Audit Committee Operation Status:

The Company has established its Audit Committee to replace supervisors in accordance with the Securities and Exchange Act on June 14, 2017. To fulfill the spirit of Corporate Governance, the Committee operates in accordance with the "Audit Committee Organizational Rules" and supervises the fair presentation of the Company's financial statements, selection and independence and performance of CPAs, the effective implementation of internal control, compliance with relevant laws and regulations and the control of the Company's existing or potential risks.

(1) In 2022, a total of 4 Audit Committee meetings were held, with attendance by independent directors as follows:

Role	Name	Actual Number of Attendance (B)	Number of Delegated Presence	Actual Attendance Rate (%) (B/A) (Note 1、Note 2)	Remarks
Independent Director	Chueh, Ming-Fu	3	1	75%	Re-elected
Independent Director	Cheng, Wen-Zheng	4	0	100%	New
Independent Director	Liu, Zheng-Huai	4	0	100%	New

Note 1: Where there is an independent director resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

Note 2: Where there is a by-election of director or supervisor prior to the end of a year, the names of new and incumbent directors and supervisors year shall be listed, with status of such director or supervisor (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

### (2) Main Matters for Audit Committee Review:

- A. Fair Presentation of the Company's Financial Reports.
- B. Selection (Dismissal) and Independence and Performance of the CPA.
- C. Effective Enforcement of the Company's Internal Control.
- D. The Company's Compliance with Relevant Laws and Regulations and Rules.
- E. Control Mechanism to the Existing or Potential Risk of the Company.

Matters Worth Special Mentions:

### (1) Annual Operation Status:

#### A. Matters as Stated in Article 14-5 of the Securities and Exchange Act:

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2022/03/16	1. To Review 2021 Business Report, Parent-Company Only Financial Report and Consolidated Financial Report. 2. To Present 2021 Internal Control System Statement. 3. To build No 5 Plant in Chiayi. 4. To amend name and partial articles of the Company's "Corporate Social Responsibility Best Practice Principles". 5. To amend partial articles of the Company's "Procedures for Acquisition or Disposal of Assets"	Agree	Passed as Proposed
2022/05/11	1. To review the Consolidated Financial Report of Q1 2022. 2. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD. 3. The Company provide the property to Hefu Construction Co., Ltd. for apply loan from financial institution	Agree	Passed as Proposed
2022/08/11	1. To review the Consolidated Financial Report of Q2 2022. 2. Renewal for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.	Agree	Passed as Proposed
2022/11/09	1. To review the Consolidated Financial Report of Q3 2022. 2. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd.	Agree	Passed as Proposed

	3. Proposed increase in investment in a subsidiary, CAPTAIN HOLDING CO., LTD, and indirectly increase its investment of sub- subsidiary, HOWON POWERTRAIN CO., LTD. 4. Proposed loan to sub-subsidiary HOWON POWERTRAIN CO., LTD. 5. Amendment partial articles of the “Rules of Procedure for the Board of Directors Meetings”. 6. Amendment partial articles of the "Operational Procedure for Internal Material Information Handling".		
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B. Matters as stated in Article 14-4 of the Securities and Exchange Act and other matters not approved by the Audit Committee but adopted by resolution by two-third of all directors: None.

- (2) Implementation Status of Recusal of Proposals with Interests by Independent Director: None.
- (3) Communications of Independent Director with internal audit supervisor and accountants:
- A. The audit supervisor regularly reports on the audit business in each Audit Committee, and implementation status and effects of audit affairs have been fully communicated.
  - B. The accountant reports on the examination or audit results of the Company's financial statements in the Audit Committee meetings held every quarterly.

### 3. Corporate Governance Operation Status and its Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
1. Has the Company formulated and disclosed the Corporate Governance Code of Practice in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has referred to "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for stipulation of "Code of Corporate Governance Practices" for the Company, with public announcement made on MOPS and disclosure on the Company website.	No material disparity.
2. Shareholding structure and shareholders' equity of the Company				
(1) Has the Company formulated internal operational procedures to handle shareholder suggestions, doubts, disputes and litigation matters, and implement them in accordance with the procedures?	✓		(1) The Company has a Spokesperson system in the "Operational Procedure for Internal Material Information Handling", with Spokesperson and Acting Spokesperson furnished for proper handling of investor suggestions or disputes and other related issues.	(1) No material disparity.
(2) Has the Company had a list of main shareholders with de facto control over the Company and the ultimate controller of main shareholders?	✓		(2) The Company has stock affairs undertaking staff responsible for handling related affairs, in addition, through stock affairs agencies and regular insider's equity changes declarations, the list of major shareholders is under control in an effective manner.	(2) No material disparity.
(3) Has the Company established and implemented risk control and firewall mechanisms between the Company and its related companies?	✓		(3) The Company has a clear division of management duties with its related companies and has promulgated "Regulations Governing Dealings with Related Parties" and "Operational Regulations for Monitoring on Subsidiaries" to fulfill the risk control mechanism over subsidiaries.	(3) No material disparity.
(4) Has the Company set internal regulations to prohibit insiders from exploiting undisclosed information on the market to trade securities?	✓		(4) The Company has promulgated "Operational Procedure for Internal Material Information Handling" for irregular advocacy on relevant information to the internal every year.	(4) No material disparity.
3. Composition and Duties of the Board of Directors				
(1) Has the Board of Directors formulated and implemented a diversity policy and specific management objectives been adopted for?	✓		(1) The Company has provided the diversification guidelines of Board of Directors member organizations in "Code of Corporate Governance Practices" and put such guideline into implementation.	(1) No material disparity.
(2) In addition to establishment of Salary and Compensation Committee and Audit Committee pursuant to relevant laws and regulations, has the Company voluntarily established other various functional committees?		✓	(2) The Company has established a Salary and Compensation Committee and Audit Committee pursuant to relevant laws and regulations. The Company will set up various other functional committees according to laws and regulations or practical needs in the future.	(2) Functional committee will be established based on the Company's actual operation needs.
(3) Has the Company formulated Regulations Governing Performance Appraisals on the Board of Directors and its Appraisal Method, conducted performance appraisal on a regular basis every year, and reported the results of the performance appraisal to the Board of Directors, followed by application as reference of individual directors' salary and continued nomination?	✓		(3) The Company has promulgated Regulations Governing Performance Appraisals on the Board of Directors and its Appraisal Method, and the Company complies with Regulations Governing Performance Appraisals on the Board of Directors and has conducted 2022 Board of Directors performance appraisal over the Salary and Compensation Committee and Board of Directors on Director's compliance with relevant laws and regulations and the degree of participation in the Company's operations on March 16, 2023.	(3) No material disparity.
(4) Has the Company regularly assessed CPA independence?	✓		(4) The company refer to Audit Quality Indicators of CPA annually (the most recent assessment is at the Board of Directors on March 16, 2023) to examine the payment of salary from the Company's director, shareholder or the Company, and confirm that there is no related interest. In addition, the rotation of accountants is also conducted in accordance with relevant regulations (Note 2).	(4) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
4. Has the Listed/OTC Company have a suitable and appropriate number of Corporate Governance personnel, and has designated a Corporate Governance director be responsible for Corporate Governance related matters (including but not limited to providing directors and supervisors with the necessary information for business practices, assisting directors and supervisors in compliance with laws and regulations, handling relevant Board of Directors and shareholder meeting matters in accordance with laws and regulations, preparing Board of Directors and shareholder meeting minutes, etc.)?	✓		<p>(1) On November 10, 2021, the Board has approved the appointment of Associate, Chen Chang Yuan, of Finance Div. as the Head of Corporate Governance to protect the rights and interests of shareholders and strengthen the functions of the boards of directors.</p> <p>(2) Chen Chang Yuan has more than three years of experience in finance and stock affairs in the public offering company. The main duties of the head of Corporate Governance are to handle matters relating to Board meetings and shareholders' meetings in accordance with the law, to prepare proceedings for Board meetings and shareholders' meetings, to assist directors in taking office, continuing education and complying with the law, to provide the information required for directors to perform their duties, to assist directors and supervisors with legal compliance, and other matters formulated in the Articles of Incorporation or contract.</p> <p>(3) Shall receive at least 12 hours of continuing education each year, except for at least 20 hours within one year for the first term commencing from the date of his/her appointment and the details as at the report publish date as follows:</p> <ol style="list-style-type: none"> <li>2022.02.18, the Course Name: Impact and Countermeasures for the carbon border tax of 2026 (3 hours)</li> <li>2022.02.18, the Course Name: Sustainable Development Roadmap: The Countermeasures of Corporation facing Global Sustainability, ESG, Trend of CSR (3 hours)</li> <li>2022.07.27, the Course Name: Thematic Seminars on Sustainable Development Roadmap (2 hours)</li> <li>2022/08/25, the Course Name: Concept of ISSB S2 Climate-related Disclosures (3 hours)</li> <li>2022/09/16, the Course Name: Advanced Seminar for Newly Elected Director and Supervisor (including Independent Director and Supervisor), and Corporate Governance Officer: The Most Neglected Financial Information by Directors (3 hours)</li> <li>2022/10/12, the Course Name: 2022 Annual Insider Equity Trading Legal Compliance Promotion Explanation Session (3 hours)</li> <li>2022/10/21, the Course Name: Preparation of the TCFD Report: Key Reference Points (3 hours)</li> </ol>	No material disparity.
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and set up a special section for stakeholders on the Company's website, and appropriately responded to the important corporate and social responsibility issues concerned by stakeholders?	✓		The Company has designated Spokesperson, Acting Spokesperson and stock affairs underwriters, and has set up a Stakeholder section on the Company's website for disclosure of contact info (04-25692299 Ext. 1234) and e-mail (sales@hota.com.tw) to establish communication channels with stakeholders.	No material disparity.
6. Has the Company appointed a professional stock affairs agency to handle the affairs of the shareholders meeting?	✓		The Company has appointed the Agency for Stock Affairs, MasterLink Securities Co., Ltd. to handle relevant stock affairs and shareholders' meeting affairs.	No material disparity.
7. Information Announcement				
(1) Has the Company set up a website to disclose financial business and corporate governance information?	✓		(1) The Company has set up a website <a href="http://www.hota.com.tw">http://www.hota.com.tw</a> and disclosed financial affairs and corporate governance information.	(1) No Material Disparity.
(2) Has the Company adopted other information disclosure methods (e.g., setting up an English website, appointing designated personnel to collect and disclose company information, implementing the Spokesperson system, and uploading the process of institutional investor conference over company website, etc.)?	✓		(2) The Company's relevant information disclosure and collection are all made by a designated person, and the Spokesperson system has been set up and implemented. In addition, the process and information of the institution investor conference have been placed on the Company's website.	(2) No Material Disparity.
(3) Has the Company announced and submitted the annual Financial Report within two months after the end of an accounting year, and made early announcements and submission of the Financial Report for the quarters 1, 2 and 3 and operations in each month before the specified deadline?	✓		(3) The Company has made early announcements and declarations of the of the Financial Report for the quarters 1, 2 and 3 and operations in each month before the specified deadline. However, the annual Financial Report was announced within two months after the end of the accounting year. The Company will finish the preparation early prior to the legal deadline.	(3) All are in compliance, except for the annual financial report.
8. Has the Company provided other important information helpful in understand the Corporate Governance Operation Status (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors and supervisors training, implementation of risk management policies and risk measurement	✓		(1) Employees Rights: The system adopted by the Company for the rights of employees is governed by laws and regulations and detailed in the "Working Rules" and related management regulations. The rights and obligations of employees and related benefits are specified, and related benefit contents are reviewed and revised regularly to protect the rights of all employees.	(1) No Material Disparity.
	✓			(2) No Material Disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
standards, implementation of customer policies, the Company's insuring of liability insurance for directors and supervisors, etc.)?)	✓		(2) Employee Care: The Company has established an Employee Welfare Committee to provide complete care and guarantees to the employees, including weddings, funerals and festival grants, regular health check-ups, travel subsidies, external training subsidies, employee group insurance, employees' compensation under annual performance appraisal, and year-end bonuses.	(3) No Material Disparity.
	✓		(3) Investor Relations: The Company has designated a dedicated employee to take responsibilities of the disclosure of information on MOPS and the Company's website, and has set a shareholder Q&A window and Spokesperson contact information on the Company's website to maintain communication and rapport between the Company and shareholders	(4) No Material Disparity.
	✓		(4) Supplier Relations: The Company has established "Regulations Governing Supplier Management and Evaluation" to ensure that the delivery date, quality and price of suppliers meet the Company's needs; in addition, the supplier mutual aid exchange gathering was established, with talent training center established in 2017, to handle joint supplier education training and regularly organized supplier exchange activities for benign communication and partnership.	(5) No Material Disparity.
	✓		(5) Stakeholders' Rights: The Company respects and safeguards the legitimate rights and interests of stakeholders, and maintains good communication channels and relationships with shareholders, employees, customers and suppliers; in addition, the Company website has contained a "Investor Relations" section, which discloses the Company's financial, business and other related information, with links to "MOPS" for reference by shareholders and other stakeholders. In addition, the Company's stock agency also assists in handling affairs related to shareholders and other stakeholders. In case legal issues are involved, the Company will hire legal consultants for handling to protect the rights of stakeholders.	(6) No Material Disparity.
	✓		(6) Directors Training: The Company entrusts the Taiwan Corporate Governance Association to conduct professional training courses for directors (6 hours in total): 1. 2022/02/18 Course Name: " Impact and Countermeasures for the carbon border tax of 2026" 3 hour 2. 2022/02/18 Course Name: " Sustainable Development Roadmap: The Countermeasures of Corporation facing Global Sustainability, ESG, Trend of CSR " 3 hours	(7) No Material Disparity.
	✓		(7) Implementation of Risk Management Policies and Risk Measurement Standards: The Company has established risk management policies. Major policies, investment cases, endorsement and guarantees, loaning of funds, bank financing and other major proposals concerning operations have been approved by the appropriate authority and responsibility unit under evaluation and analysis and have been implemented following Board of Directors resolutions. The audit office also draws up its annual audit plan based on the risk assessment results and implements the drafted plans. Supervisory mechanism has been implemented to control various management risks.	(8) No Material Disparity.
	✓		(8) Implementation of Customer Policies: The Company is committed to quality improvement and professional technology improvement and has set up a contact window available for customers to provide customers with the best products and services.	(9) No Material Disparity.
			(9) The Company's Insuring of Liability Insurance for Directors and Managers: The Company has insured directors and managers liability insurance. The policy period is from July 24th, 2022, to July 24th, 2023. The insurance premium is amounted to USD 5 million.	
9. Please explain the improved situation based on results of the Corporate Governance evaluation published by the Corporate Governance Center, Taiwan Stock Exchange Corporation in the most recent year, and propose priority reinforcement matters and measures for those that have not yet been improved. (Entering not required if not included in evaluation) The Company has made reinforcements and rectifications to items of Corporate Governance evaluation without scores and has proposed improvement situation with supervisors for review to strengthen the Company's Corporate Governance and allow a more transparent information disclosure.				

Note 1: For Operation Status, details shall be specified in the Summary Descriptions column, regardless of the tick at "Yes" or "No".

Note 2: Accountants' Independence Appraisal and Performance Examinations for 2022 are as follows:

Item	Specific Indicators	Appraisal Standards	Score	Compliance with Independence
<b>Independence Indicators</b>				
1	There is no direct or material indirect related interest financially.	5 Points if no related interests, 0 Points if such interest exists.	5	Yes
2	There is no inappropriate related interest between the accountant and the consignor.	5 Points if no inappropriate related interests, 0 Points if such interest exists.	5	Yes
3	Financial reports for the service institution within the first two years of business may not be audited and attested.	5 Points if no violation, 0 Points if violated.	5	Yes
4	The name of the accountant may not be utilized by others. (Statement)	5 Points if no such utilization, 0 Points if such utilization occurred.	5	Yes
5	Accountants and all audit service group members may not hold shares of the consignor.	5 Points if no such holding, 0 Points if yes.	5	Yes
6	Does not have events of borrowing of money from the consignor.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
7	Does not have relations of joint investment or shared interest with the consignor.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
8	Does not take concurrent roles offered by the consignor and receive regular salary.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
9	Does not accept any commission relevant to business dealings.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
10	Term of accountant over 7 years.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
<b>Performance Indicator</b>				
1	Official financial report of the first three quarters shall be done within 45 days in the current season or completed within three months after the end of annual report.	5 Points if completed 3 days earlier, 3 Points if completed on time, and 0 Points if completed after deadline.	5	Yes
2	The accuracy of audit and preparation of quarterly and annual reports in first draft (under Company information change.) (the four major statements)	Based on errors in figures of financial reports, 5 Points if with 2 or fewer errors, 3 Points if with 3 or fewer errors, and 0 Points if over 3 errors.	5	Yes
3	Account audit time and completion of first draft for the first three quarters of the Company by the accountant.	Based on review time of the financial reports of the first three quarters, 5 Points if within 30 days, 3 Points if within 40 days, and 0 Points if over 40 days.	5	Yes
4	The time the accountant completes the Company's annual account audit and completion of first draft.	5 Points if completed within 60 days, 3 Points if completed within 70 days, and 0 Points if completed after 70 days, based on the period between date the audits to reports have been completed the and the end of the year.	5	Yes
5	The time the accountant completes a subsidiary's annual account audit and completion of first draft.	5 Points if completed within 55 days, 3 Points if completed within 60 days, and 0 Points if completed after 60 days, based on the end of the year.	5	Yes
6	Whether the accountant has made frequent interactions with the Company's managerial personnel (internal audit personnel, etc.), with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
7	Whether the accountant has had appropriate interactions prior to the audit planning and submission of audit opinions, with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
8	Whether the accountant has proposed positive suggestions on company system and internal control audit, with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
9	Regularly and proactively updating the Company with tax and securities and management laws and regulations as well as revised IFRS Accounting guidelines.	5 Points if Yes, 0 Points if No.	5	Yes
10	Stability of Audit Service Team Member and Personnel.	5 Points if Yes, 0 Points if No.	5	Yes
11	Assisting in Communications and Coordination with Competent Authorities.	5 Points if Yes, 0 Points if No.	5	Yes
12	Whether there is fraud or finding of matters not meeting regular practices within the internal employees of the Company.	5 Points if No, 0 Points if Yes.	5	Yes

4. Salary and Compensation Committee Operation Status:

This Committee is composed of three members as resolved and designated by Board of Directors, which one of the members serves as the convener. Professional qualification and independence of members of the Committee shall meet Articles 5 and 6 of the Regulations Governing Duties of the Salary and Compensation Committee.

(1) Salary and Compensation Committee Member Information:

Role	Name	Professional qualifications and experience Independence analysis	Number of Companies the Salary and Compensation Committee member concurrently serves as the same role
Independent Director (Convener)	Liu, Zheng-Huai	Refer to the relevant information in Information on Directors and Supervisors (2) on p.15 and p16.	2
Independent Director	Chueh, Ming-Fu		0
Independent Director	Cheng, Wen-Zheng		1

Note 1: This Salary and Compensation Committee is formed by all Independent Directors, with a term from June 10, 2020, to June 9, 2023.

(2) Operations of the Salary and Remuneration Committee

A. The Remuneration Committee of the Company consists of three members.

B. Term of this Committee: June 10, 2020 to June 9, 2023. In 2022, a total of two Salary and Compensation Committee meetings were held, with member qualifications and attendance as follows:

Role	Name	Actual Number of Attendance (B)	Number of Delegated Presence	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Independent Director	Liu, Zheng-Huai	2	0	100%	new
Independent Director	Chueh, Ming-Fu	2	0	100%	Re-elected
Independent Director	Cheng, Wen-Zheng	2	0	100%	new

Matters Worth Special Mentions:

- In case the Board of Directors does not adopt or revise suggestions by the Salary and Compensation Committee, date, period, Content of Proposal, resolution results by the Board of Directors and the handling by the Company on Salary and Compensation Committee opinions (e.g., salary and compensation adopted by the Board of Directors as superior to suggestions by Salary and Compensation Committee, with disparity and reasons required to be stated) of such Board of Directors' meeting shall be stated: No such occurrence in the Company
- Where there is any objection or qualified opinion by the members based on resolutions in a Salary and Compensation Committee meeting, with records or written statements, the date, period, content of proposal, opinions by all members and the handling of opinions from objecting members of such Salary and Compensation Committee meeting should be stated:

Note:

- Where there is a Salary and Compensation Committee member resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Salary and Compensation Committee meetings held during his/her term and number of his/her Actual Presence (Attendance).
- Where there is a by-election of Salary and Compensation Committee members prior to the end of a year, the names of new and incumbent members year shall be listed, with status of such member (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Salary and Compensation Committee meetings held during his/her term and number of his/her Actual Presence (Attendance).



(3)

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2022/03/16	1. Review on 2021 Board of Directors Performance Appraisal 2. Review on Rectification of the Company's Distributions of Directors' Compensation, Manager (Employee) Compensation and Year-End Bonus in 2021. 3. List of Managers Applicable for Salary and Compensation Review	Agree	Passed as Proposed
2022/11/09	1. To Ratify the Company's Manager (Employee) Compensation Distribution 2. Discussion on Year-End Bonus for Managers of the Company in 2022 3. To amend partial articles of the Company's "Regulations Governing Performance Appraisal on the Board of Directors".	Agree	Passed as Proposed

5. Promotion of Sustainable Development –Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
1. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	✓		In compliance with the vision and mission of the Company's ESG Policy, in 2021, the Committee was renamed the Sustainable Development Committee, in charge of the Company's sustainable development. The President of the company is the convener, and the committee is composed of directors of different departments. The committee meeting will be held annually. The President convenes with different relevant departments for promoting the Corporate Social Responsibility and inquiry of interested parties, the implementation of negotiating and communication, and the countermeasures. Complete and disclose the previous annual report on sustainability. The implementation of Corporate Social Responsibility is coordinated by each team and reported the annual performance of ESG is to the board of directors by the President.	No material disparity.
2. Has the Company conducted risk assessments on environmental, social, and corporate governance issues relating to the Company's operations in accordance with the materiality, and formulated relevant risk management policies or strategies? (Note 2)	✓		The Company's sustainability report covers the related operating systems and activities of Hota Industrial Mfg. Co., Ltd. (including the Zhongke Plant, Dali Plant and Chiayi Plant) are the subject of disclosure. It is included policy, commitments, goals, management, and performance of Corporation Sustainable Development in the economic, social, environmental, and other issues. The sorting is by the importance of the themes, the Corporation Sustainable Development Report has covered the internal boundary of the Hota Industrial Mfg. Co., Ltd., The external boundary of an organization includes major interest parties of upstream and downstream such as customers, shareholders, suppliers, contractors, community. And to define the scope of the important themes including transparency and impact of the overall value chain of the Company and disclose in the Corporation Sustainable Development Report with GRI sustainability reporting standards and focus on the implementation and describe in the corresponding chapter of the Report.	No material disparity.
3. Environment Issues				
(1) Has the Company established an appropriate environmental management system based on its industrial characteristics?	✓		(1) The Company is set up an environmental management system (EMS) by ISO 14001 and passed third-party verification. And the Company conducts the Greenhouse gases by the requirement of ISO14064-1 annually. The company should disclose the performance of emissions in the Corporation Sustainable Development Report and on the Company's website.	(1) No material disparity.
(2) Is the Company committed to use energy more efficiently and enhance the utilization efficiency of various resources while using recycled materials with low impact on the environment?	✓		(2) The company actively promotes various energy reduction measures, reduces the energy consumption of enterprises and selects the equipment with high -energy efficiency and energy-saving design, and optimizes	(2) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity								
	Yes	No	Summary Descriptions									
(3) Has the Company assessed the current and future potential risks and opportunities of climate change to the Company and taken measures to respond to climate-related issues?	√		<p>energy use efficiency with expands the use of renewable energy. The emission reduction results are disclosed in the Sustainability Report annually.</p> <p>(3) One of the major issues of sustainable development for the Company is climate change. The Company is always aware of the impact of climate change on its operations and conducts the greenhouse gases inventory and determine the policy for energy saving and carbon reduction, and emission reduction.</p> <table><tr><th>Risk Category</th><th>Potential Risks</th><th>Countermeasures</th></tr><tr><td rowspan="2">Risk of climate change</td><td>Management of Carbon Emission</td><td>Through the verification of ISO 50001 Energy Management System, annual inspections of energy conservation and carbon reduction and greenhouse gas emissions, and carbon footprint inspections of representative products. The roof of the building is equipped with a solar power system to promote green energy and environmental protection.</td></tr><tr><td>Transportation Management</td><td>In response to weather conditions such as hurricanes in the U.S. that affect the delivery time to customers, safe storage facilities and safe storage capacity plans were built in the western and eastern U.S. respectively. Due to the impact of global epidemic, the shortage of containers for international shipments had a full impact on the shipment schedule, and production plans had to be prepared in advance to reduce the impact.</td></tr></table>	Risk Category	Potential Risks	Countermeasures	Risk of climate change	Management of Carbon Emission	Through the verification of ISO 50001 Energy Management System, annual inspections of energy conservation and carbon reduction and greenhouse gas emissions, and carbon footprint inspections of representative products. The roof of the building is equipped with a solar power system to promote green energy and environmental protection.	Transportation Management	In response to weather conditions such as hurricanes in the U.S. that affect the delivery time to customers, safe storage facilities and safe storage capacity plans were built in the western and eastern U.S. respectively. Due to the impact of global epidemic, the shortage of containers for international shipments had a full impact on the shipment schedule, and production plans had to be prepared in advance to reduce the impact.	(3) No material disparity.
Risk Category	Potential Risks	Countermeasures										
Risk of climate change	Management of Carbon Emission	Through the verification of ISO 50001 Energy Management System, annual inspections of energy conservation and carbon reduction and greenhouse gas emissions, and carbon footprint inspections of representative products. The roof of the building is equipped with a solar power system to promote green energy and environmental protection.										
	Transportation Management	In response to weather conditions such as hurricanes in the U.S. that affect the delivery time to customers, safe storage facilities and safe storage capacity plans were built in the western and eastern U.S. respectively. Due to the impact of global epidemic, the shortage of containers for international shipments had a full impact on the shipment schedule, and production plans had to be prepared in advance to reduce the impact.										
(4) Has the Company taken statistics on greenhouse gas emissions, water consumption and total weight of waste in the previous two years and formulated policies for greenhouse gas reduction and water reduction or other waste management?	√		<p>(4) Review the Company's greenhouse gas emissions, water consumption, and total waste weight annually. And set the related specification for energy-saving carbon reduction, greenhouse gas reduction, reduced water, or other waste management to implement corporate social responsibility.</p> <p>1. All the plants have completed the inventory and third-party verifications of ISO 14064-1 Scope 1, 2, 3. the inventory and third-party verifications of ISO 50001.</p>	(4) No material disparity.								

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
			<p>2. The Company has been concerned about the issue of energy conservation and environmental protection of water resources for many years. The water resources that can be used will have greater benefits from the comprehensive implementation of water conservation in daily life.</p> <p>3. The Company is committed to environmental protection and waste reduction. The annual performance review and internal and external audit are performed by the Commission on Sustainable Development. All plants are certified through the ISO 14001 Environmental Management System. The waste cleaning in the operation process is properly handled according to the waste cleaning method, and the sources of waste generated are effectively classified and collected, to improve the recoverability of the waste. For the process waste treatment model is the collection, classification, reduction, and recovery, the main management strategy is to replace "buried disposal" with "resource recovery", to turn the waste into resources, reduce environmental impact, and effectively manage and improve the value of resource reuse.</p> <p>The relevant data on greenhouse gas emissions, water consumption, and waste are compiled and disclosed in the Company's Sustainability Report annually.</p>	
4. Social Issues				
(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		<p>(1) The Company is committed to protecting employees' rights and interests and complying with the "Labor Standards Law", the Employment Services Law, the Gender Equality Law, and other relevant government human rights policies. The Company not only implements policies but also establishes a diversified communication channel and management mechanism to ensure proper care for fellow employees and to create a friendly corporate environment that respects, cares for, and protects human rights.</p> <p>The Company's human rights policy-specific management program includes: It provides a safe and healthy working environment, organizes annual health checks for employees, and provides care and follow-up for employees, prohibits forced labor, prohibits child labor, and holding regular Management and Labor Council.</p>	(1) No material disparity.
(2) Has the Company formulated and implement reasonable employee welfare measures (including salary and compensation, vacation, and other benefits, etc.), and appropriately reflected operating performance or results in employee compensation?	✓		<p>(2) Reasonable employee welfare mechanism has been promulgated and implemented, with employee evaluations conducted, to accurately reflect operating performance in employee welfare and compensation.</p> <p>Employee remuneration: For motivating the employee work together with the Company's objectives, the Company's year-end bonus is allocated to all the staff members after considering the circumstances of their annual</p>	(2) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
(3) Has the Company provided employees with a safe and healthy working environment and provided employees with regular safety and health educations?	✓		<p>performance appraisal and evaluation. Employees' remuneration is calculated at not less than 2% of the Company's profit for the year, as required by the Articles of the Company.</p> <p>Employee benefits measures: The Company has established an employee benefits committee that plans and provides quality benefits to the employee from company revenue. The welfare benefits of the staff are tourism subsidies, birthday gifts, marriage allowances, maternity allowances, funeral allowances, and three-section gifts.</p> <p>Leave system: In accordance with the rules on leave for employees, special leave, sick leave for ordinary injuries, sick leave, menstrual leave, family care leave, or no-pay leave, etc., shall be granted to the staff members. The employee can apply the no-pay leave to take care of the needs of individuals and family care such as parental leave, serious injury, major accident, etc.</p> <p>Diversity and equality: To realize a gender-equal workplace environment and the Company offers equal pay and there is no discrepancy between basic salaries and compensations between women and men for promotion and sustainable economic growth.</p> <p>The Company values the rights and benefits of its employees and shares a profit margin with its employees to maintain a good working environment. The Company also implements a friendly workplace and follows gender equality so as to enable its employees of all sexes to work in peace and good faith by engaging in a good working environment and engaging in physical and physical work and defining suitable work positions and environmental facilities, and reflected the performance of the operations on the employees' remuneration.</p> <p>(3) The Company is committed to providing employees with a safe and healthy working environment, implementing safety and health education on a regular basis through training for new recruits and orientation, on-the-job education training opportunities.</p> <p>Occupational safety health policy: The Company follows the requirements of the Occupational Safety and Health Act with customers and relevant organizations to set policies and respects the requirements of the relevant interested organizations for occupational safety and health to build a healthy and happy workplace.</p> <p>Workplace environmental monitoring: In order to protect workers from harmful substances in the workplace and provide a healthy and comfortable working environment for employees, the environmental monitoring</p>	(3) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
(4) Has the Company established an effective career development training program for employees?	√		<p>exercises will be carried out twice a year to gradually understand the exposure of employees.</p> <p>Equipment safety Management: The Company carries out equipment classification, which is legally regulated for dangerous machinery and equipment, and conducts a detailed inspection to ensure the safe operation of the equipment. The Company's hazardous machinery components are regularly inspected in accordance with the "Regulations for Safety Inspection of Hazardous Machines and Equipment" to ensure safety concerns regarding the use of equipment.</p> <p>All plants of the company have certificated ISO 45001.</p> <p>(4) The Company regards employees as important assets, cultivating talents through on-the-job training at various functions.</p> <p>The Company plans a comprehensive functional training program for all levels of supervisors and employees of the Company, including newcomer training, professional advanced training, and management training, to assist employees to continue their learning and development through multiple learning approaches, and to introduce the relevant training courses on the development of corporate ethics and beliefs, and to develop their key capabilities.</p>	(4) No material disparity.
(5) With regards to the issues about customer health and safety, customer privacy, and marketing and labeling of products and services, has the Company complied with relevant laws and regulations and international standards, and formulated relevant consumer and customer protection policies and grievance procedures?	√		<p>(5) The Company's products and services have been regulated in accordance with international laws and regulations, with business unit designated for handling quality and customer grievances.</p> <p>The Company has announced and promoted the protection of business secrets and intellectual property rights to all employees. It clearly states and requires employees to protect business confidentiality and understand the importance of protecting customer information. Employees should sign relevant confidentiality agreements. The Company is protecting the information of customers, proprietary technology, business secrets, personal information, and confidential information are fully protected, and will never disclose the customers' information to other customers. In 2022, there was no violation of customer confidential information protection.</p>	(5) No material disparity.
(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues e.g. environmental protection, occupational safety and health, or labor human rights? In addition, how is the implementation?	√		<p>(6) The key factor for the growth of the Company is good suppliers. Therefore, the Company selects the suitable suppliers (in line with the ISO Quality and Environment Management System) is based on safety, price, delivery, quality, service, environmental protection, and sustainability, and reviews the products' quality, services, and environment regularly to maintain and maximize the quality of relevant products. The Company selects qualified suppliers according to the "Supplier Evaluation Regulation" and the suppliers are required to comply with the ISO quality and environmental</p>	(6) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
			management system, the SQE regularly audits the supplier compliance and conducts joint educational training and mentoring activities to enhance the supplier's sustainability.	
5. Has the Company referred to the internationally accepted standards or guidelines for the preparation of reports to prepare reports disclosing the Company's non-financial information, such as ESG reports? Have the aforementioned reports obtained the validation or assurance opinion of the third-party verification body?	✓		The relevant information of the company's Sustainability Report was performed by third-party verification after being reviewed and revised with the application indicators of the core option of GRI Standards and AA 1000 AS-Type.	No material disparity.
6. In case the Company has set forth its own CSR principles following “Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies”, please describe its operation and its disparity with the set principles: No material disparity.				
7. Other important information helpful in understanding the Operation Status of sustainable development: None.				

Note 1: If “Yes” is ticked in Operation Status, please specify the important policies, strategies, measures and implement as adopted; if “No” is ticked, please explain the cause, and specify the plans relevant to policies, strategies and measures taken in the future.

Note 2: Materiality refers to environmental, social, and corporate governance issues causing material impacts to investors and other stakeholders of the Company.

## 6. Status of the Company's Fulfillment of Ethical Management and Measures Adopted:

Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
<p>1. Formulating Ethical Management Policies and Plans</p> <p>(1) Has the Company formulated the ethical management policy approved by the Board of Directors, and clearly indicated the ethical management policy and practice in its regulations and external documents, with commitment of active implementation of the management policy by the Board of Directors and senior management?</p> <p>(2) Has the Company formulated a risk assessment mechanism for unethical conduct, regularly analyzing and evaluating business activities at a higher risk of unethical conduct in the business scope, and formulated plans in prevention of unethical conducts which at least covers Article 7, Paragraph 2 of the "Ethical Corporate Management "Best Practice Principles for TWSE/GTSM Listed Companies" Article 7 Paragraph 2?</p> <p>(3) Has the Company specified operating procedures, behavior guidelines and punishments and appeal systems for violations within the plans for preventing unethical conducts, and has implemented and regularly reviewed and revised the aforementioned plans?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has set forth "Rules for Ethical Management" and "Operational Procedure for Ethical Management and Guide of Conducts" to implement compliance with the Company Act and relevant securities regulations and Board of Directors and management's commitment to the ethical management policy.</p> <p>(2) The Company engages in business operations based on the principles of fairness, integrity, and transparency. To fulfill the ethical management policy and actively prevent unethical conducts, the Company has promulgated "Rules for Ethical Management", "Operational Procedure for Ethical Management and Guide of Conducts" and "Code of Ethical Conduct", and, in accordance with the Company's relevant disciplinary regulations, put the relevant regulations into implementation. It has been specifically specified in the "Operational Procedure for Ethical Management and Guide of Conducts" that the directors, supervisors, managers and employees and de-facto controllers are prohibited from engagement in any business activities at a higher risk of unethicalness as provided by Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business scopes.</p> <p>(3) The "Rules for Ethical Management" as promulgated by the Company clearly states that no illegitimate benefits, or acts that violate ethicalness, legality, etc., is allowed, and whistleblowing on any illegal or ethical conduct that violates the Code of Conduct is encouraged. In addition, advocacies on the importance of ethical conducts to the directors and employees shall be taken regularly. The aforementioned plan shall, in accordance with the methods for assessing the risk of unethical conduct, reviewed with the appropriateness and effectiveness of the prevention plan on a regular basis, with appropriate adjustments or amendments made.</p>	<p>(1) No material disparity.</p> <p>(2) No material disparity.</p> <p>(3) No material disparity.</p>
<p>2. Fulfilling Ethical Management</p> <p>(1) Has the Company assessed the ethics records of its counterparties and specify the ethical conduct clauses in the contracts signing with its counterparties?</p> <p>(2) Has the Company set up a dedicated unit to promote corporate ethical management under the Board of Directors, who regularly (at least once a year) report to the Board of Directors on its ethical</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has assessed the ethics records of its counterparts and has not found any specific records of unethicalness in the transactions.</p> <p>(2) The Company's promotion and audit of ethical management is mainly conducted by internal auditors on a regular basis, with</p>	<p>(1) No material disparity.</p> <p>(2) No material disparity.</p>



Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
management policies, plans for preventing unethical conduct, and supervision and implementation?			reports prepared and reporting to the Board of Directors on a regular basis.	
(3) Has the Company formulated a policy for prevention of conflicts of interest, while providing appropriate channels for claim, and has implemented it?	✓		(3) The Company has set forth "Rules for Ethical Management", "Operational Procedure for Ethical Management and Guide of Conducts" and "Guidelines for Ethical Conducts" to provide appropriate statement channels and active explanations for directors, supervisors, and managers in case of relevant conflicts of interests.	(3) No material disparity.
(4) Has the Company established an effective accounting system and an internal control system for the implementation of ethical management, with the internal audit unit drawing up relevant audit plans based on the results of the assessment of the risk of unethical conducts, which are adopted in examinations of compliance with prevention of unethical conducts, or has the Company consigned a CPA for such examination?	✓		(4) The Company has established an accounting system and an internal control system, with implementations fulfilled. In addition, based on the results of the assessment of the risk of unethical conduct, internal auditors formulate an audit plan that includes audit objects, scope, items, frequency, etc., for examining the compliance of the prevention plan; the examination result shall be reported to the senior management and the responsible unit of ethical management, with audit report prepared and submitted to the Board of Directors. In addition, the Company conducts annual review and revision operations to ensure the continuous effectiveness of the system design and its implementation to establish a good Corporate Governance and risk control mechanism as the foundation for evaluating the effectiveness of the overall Internal Control system and issuing an Internal Control system statement.	(4) No material disparity.
(5) Has the Company regularly organized internal and external education training on ethical management?	✓		(5) The Company has actively advocated ethical management to its employees, and regularly education training on ethical management for new employees.	(5) No material disparity.
3. Operation Status of the Company's Whistleblowing System				
(1) Has the Company formulated a specific whistleblowing and reward system and established a convenient whistleblowing channel, while designating appropriate acceptance personnel for the reported subject?	✓		(1) The Company has set up "Operational Procedure for Ethical Management and Guide of Conducts" specifying the matters that the Company personnel shall pay notice to when performing business and has established a dedicated unit responsible for the implementation and supervision of related operations.	(1) No material disparity.
(2) Has the Company formulated standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation has been completed, and related confidentiality mechanisms?	✓		(2) In accordance with "Guidelines for Ethical Conducts", the Company conducts the investigation standard operational procedures and related confidentiality mechanisms for the investigation of reported matters, but all grievances are handled with prudence and confidentiality. However, the Company still planning a specific whistleblowing and reward system.	(2) Planning.
(3) Has the Company taken measures to protect whistleblowers from receiving inappropriate dispositions as a result of whistleblowing?	✓		(3) In accordance with the "Guidelines for Ethical Conducts", the Company upholds its responsibilities in keeping confidentiality to	(3) No material disparity.

Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
			informants, and measures to prevent informants from receiving inappropriate dispositions as a result of whistleblowing.	
4. Reinforcing Information Disclosure Has the Company disclosed on its website and MOPS the content of its code of ethical management and its promotion effectiveness?	✓		The Company has disclosed relevant information on MOPS and the Company website.	No material disparity.
5. Where the Company has promulgated its own Guidelines for Ethical Management in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please specify its operations and its disparity from the set guidelines: No material disparity.				
6. Other important information helpful in understanding the Operation Status of the Company’s ethical management: (e.g., the Company’s reflection and revision on its own Guidelines for Ethical Management): No material disparity.				

Note: Operation Status shall be specified in the Summary Description column, no matter “Yes” or “No” is ticked.

7. Where the Company has promulgated Corporate Governance guidelines and relevant rules and regulations, relevant query methods shall be disclosed:
  - (1) The Company has promulgated relevant Corporate Governance rules and regulations including “Guidelines for Governance Practices”, “Sustainable Development Best Practice Principles”, “Rules for Ethical Management”, “Operational Procedure for Ethical Management and Guide of Conducts” and “Guidelines for Ethical Conducts”, etc.
  - (2) The above mentioned relevant Corporate Governance rules are disclosed on the Company Website  
<http://www.hota.com.tw/tw/transmission/service.php?c1=2&c2=6>.
8. Other important information sufficient to enhance understandings to Corporate Governance Operation Status shall be disclosed altogether:  
 Concerning information sufficient to enhance understandings to Corporate Governance Operation Status, all are disclosed via MOPS or the Company website.

9. Internal Control System Implementation Condition  
(1) Internal Control Statement

Hota Industrial Mfg. Co., Ltd.  
Internal Control System Statement

Date: March 16, 2023

The statement concerning the Company's 2022 internal control system is made as follows in accordance with independent examination:

1. The Company has authentic knowledge that establishment, enforcement and maintenance of internal control system is of the liability of the Company's Board of Directors and Managerial Officers and has established such system. The purpose of such system is to provide reasonable assurance over the effects and efficiency of operations (incl. profit, performance and guarantee of asset safety, etc.), reliability of financial report and compliance with relevant law and regulations.
2. The internal control system has its congenital limitations, and an effective internal control may only provide reasonable assurances for achievement of the aforesaid three goals; in addition, due to changes in the environment and circumstances, effectiveness of internal control system may be varied accordingly. However, the internal control system of the Company contains a self-supervision mechanism where the Company may immediately adopt rectification upon identification of defects.
3. The Company identifies the validity of designs and executions of the internal system in accordance with identification items for internal control systems as provided by "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter "Regulations"). The identification items for internal control systems as adopted by these "Regulations" are the divided five composition factors from the internal control system by the process of management control: 1. Control Environment; 2. Risk Assessment and Responses; 3. Control Conduct; 4. Information and Communication; and 5. Supervision. Each constitution factor further include multiple items. For the aforesaid items, please refer to provisions in the "Regulations".
4. The Company has adopted the aforesaid internal system identification items to examine the design and validity of execution for the internal control system.
5. The Company has, on basis of the examination result as mentioned in the preceding paragraph, recognized on December 31, 2022 that the internal control system (containing supervision and management to its subsidiaries), including the acknowledgement over degree of achievement of operation effects and efficiency goals, reliability of financial reports and relevant laws and regulations as well as design and execution of other internal control system as valid, and may reasonably ensure the achievement of aforesaid goals.
6. This statement will become the main content of the Company's annual report and prospectus, and shall be externally disclosed. Should there be illegitimate matters for falsification, coverup, etc., such event will constitute violation of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been adopted by passage at the Board of Directors meeting on March 16, 2023, in which the 13 attending directors contains 0 directors holding objection, and the remaining have agreed the contents of this statement and is hereby certified

Hota Industrial Mfg. Co., Ltd.

Chairman: SHENG, KUO-JUNG

President: CHEN, CHUN-CHIH

Note 1: In case there is material defect in the Design and execution of a public company's internal system, such defect shall be described in an additional section at paragraph 4 of its internal control system statement, with material defects discovered in the independent examination and the Company's rectification actions and status currently adopted for the assets and liabilities listed and described.

Note 2: The date of statement shall be "the end of a fiscal year".

- (2) Where the Company entrusts accountants in reviewing the internal control system under project, an accountant review report shall be disclosed: No such occurrence in the Company.

10. Penalties to the Company and its internal personnel, penalties to the Company and its internal personnel for violation against internal control system rules, major defects, and improvement status in the most recent year and as of the date of publication of annual report:

Taiwan-Stock-Shang-1-1111805720 dated November 14th, 2022 stated about material information reporting violation, which the board of directors of sub-subsidiary, HOWON POWERTRAIN CO., LTD., did not release any information about the resolving Case B of the merged subsidiaries, Wuxi Hota Precision Gear Co., Ltd., on November 18th, 2021. And the Company imposed a penalty of NTD 30,000.

Improved situation: Posted the correct critical messages at the Market Observation Post System.

11. Important Resolutions by the Shareholders' meeting and the Board of Directors' meeting in the Most Recent Year and as of the date of publication of annual report.

Meeting Date	Meeting Type	Important Resolutions
2022/03/16	Board of Directors	<ol style="list-style-type: none"> <li>1. Time, Location and Meeting Procedure for the Company's 2022 Regular Shareholders' Meeting.</li> <li>2. To review the Company's Business Report, Parent-Company Only Financial Report and Consolidated Financial Report of 2021.</li> <li>3. The Company's Internal Control System Statement of 2021.</li> <li>4. To evaluate the Independence of CPAs of the Company.</li> <li>5. The Company's Retained Earnings Distribution of 2021.</li> <li>6. Distribution of Employees' Compensation and Directors' Compensation the Company of 2021.</li> <li>7. To determine the appropriateness of hedging exchange rate risks through the use of financial derivatives instruments in 2022.</li> <li>8. To Ratify the Company's application for credit of line for funding to financial institutions.</li> <li>9. To build No 5 Plant in Chiayi.</li> <li>10. To amend partial articles of the Company's "Code of Corporate Governance Practices".</li> <li>11. To amend name and partial articles of the Company's "Corporate Social Responsibility Best Practice Principles".</li> <li>12. To amend partial articles of the Company's "Procedures for Acquisition or Disposal of Assets"</li> <li>13. The Company's Applicable Manager Change and Salary Plans.</li> </ol> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2022/05/11	Board of Directors	<ol style="list-style-type: none"> <li>1. To review the Company's Consolidated Financial Report of 2022 1st quarter.</li> <li>2. Application of funding credit line to financial institutions by the Company.</li> <li>3. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOPMENT FORGING CO., LTD.</li> <li>4. The Company provide the property to Hefu Construction Co., Ltd. for apply loan from financial institution</li> </ol> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Directors Liu, Zheng-Huai and Cheng, Wen-Zheng have attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2022/06/08	Regular Shareholders' Meeting	<p>Matters for Report:</p> <ol style="list-style-type: none"> <li>1. 2021 Business Report.</li> <li>2. Audit Committee Review in 2021 financial statements.</li> <li>3. Report on Distribution of Employees' Compensation and Directors' Compensation in 2021.</li> </ol> <p><u>Status of Subsequent Implementation:</u>  Employees' and Directors and Supervisors' Compensation of 2021 has been adopted by the Board of Directors through resolution and distributed on July 28, 2022.</p> <p>Matters for Rectification:</p> <ol style="list-style-type: none"> <li>1. To Ratify financial statements of 2021.</li> <li>2. To Ratify Retained Earnings Distribution of 2021.</li> </ol>

Meeting Date	Meeting Type	Important Resolutions
		<p><u>Status of Subsequent Implementation:</u> The Retained Earnings Distribution of 2021 has, following passage by the shareholders' meeting, distributed in wire transfer or checks denoting "Nonnegotiable" delivered via registered mails by Agency for Stock Affairs, MasterLink Securities Co., Ltd. under commission on July 28, 2022.</p> <p>Matters for Discussion 1: Amendments to some provisions of the " Procedures for Acquisition or Disposal of Assets ".</p>
2022/08/11	Board of Directors	<ol style="list-style-type: none"> <li>1. To review the Company's Consolidated Financial Report of 2022 2nd quarter.</li> <li>2. Application of funding credit line to financial institutions by the Company.</li> <li>3. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.</li> </ol> <p><u>Resolution Status:</u> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended. Opinions of Independent Directors: None. Handling of Independent Directors' Opinions by the Company: None. Resolution: adopted by passage from all attending directors.</p>
2022/11/09	Board of Directors	<ol style="list-style-type: none"> <li>1. To review the Company's Consolidated Financial Report of 2022 3<sup>rd</sup> quarter.</li> <li>2. Application of funding credit line to financial institutions by the Company.</li> <li>3. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd.</li> <li>4. Proposed increase in investment in a subsidiary, CAPTAIN HOLDING CO., LTD, and indirectly increase its investment of sub- subsidiary, HOWON POWERTRAIN CO., LTD.</li> <li>5. The Company's proposed loan to sub-subsidiary HOWON POWERTRAIN CO., LTD.</li> <li>6. The Company's Audit Plans for 2023.</li> <li>7. Amendment partial articles of the "Rules of Procedure for the Board of Directors Meetings"</li> <li>8. Amendment partial articles of the "Operational Procedure for Internal Material Information Handling"</li> <li>9. To amend partial articles of the Company's "Regulations Governing Performance Appraisal on the Board of Directors".</li> <li>10. To Ratify the distribution of Company's Managers' and Employees' Compensation and Bonus.</li> </ol> <p><u>Resolution Status:</u> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended. Opinions of Independent Directors: None. Handling of Independent Directors' Opinions by the Company: None. Resolution: adopted by passage from all attending directors.</p>
2022/12/14	Board of Directors	<ol style="list-style-type: none"> <li>1. The Company's Gains or Losses for Annual Operation Plans Budget in 2023.</li> <li>2. To build Plant in Dali.</li> </ol> <p><u>Resolution Status:</u> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended. Opinions of Independent Directors: None. Handling of Independent Directors' Opinions by the Company: None. Resolution: adopted by passage from all attending directors.</p>
2023/03/16	Board of Directors	<ol style="list-style-type: none"> <li>1. Time, Location and Meeting Procedure for the Company's 2023 Regular Shareholders' Meeting.</li> <li>2. To review the Company's Business Report, Parent-Company Only Financial Report and Consolidated Financial Report of 2022.</li> <li>3. The Company's Internal Control System Statement of 2022.</li> <li>4. To evaluate the Independence of CPAs of the Company.</li> <li>5. The Company's Retained Earnings Distribution of 2022.</li> <li>6. Distribution of Employees' Compensation and Directors' Compensation the Company of 2022.</li> <li>7. Review of the list of candidates for election as directors of the Company</li> <li>8. Discussion on lifting director's non-compete clause in the Company.</li> <li>9. To determine the appropriateness of hedging exchange rate risks through the use of financial derivatives instruments in 2023.</li> <li>10. To Ratify the Company's application for credit of line for funding to financial institutions.</li> </ol>

Meeting Date	Meeting Type	Important Resolutions
		11. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD 12. Amendment of certain clauses of "Procedures for Shareholders' Meetings" submitted. 13. Amendment of certain clauses of the "Articles of association" 14. The Company's Applicable Manager Change and Salary Plans. <u>Resolution Status:</u> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended. Opinions of Independent Directors: None. Handling of Independent Directors' Opinions by the Company: None. Resolution: adopted by passage from all attending directors.

12. Director or supervisors expressing different opinions over Important Resolutions as adopted by the Board of Directors and have records or written statements and their main contents in the most recent year and as of the date of publication of annual report: None.
13. Compilation of resignations and dismissals of personnel relevant to the Financial Report (incl. Chairman, President, Accounting Manager, financial supervisor, internal audit supervisor, Corporate Governance supervisor and R&D supervisor, etc.) in the most recent year and as of the date of publication of annual report: No such occurrence in the Company.

**(V) Information on CPA Professional Fees :**

Amount Unit: NTD Thousand

Name of Accounting Firm	Name of CPA	Public Expenses for Audit	Non-Public Expenses for Audit					Auditing Period of the CPA	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
PwC Taiwan	Wu, Sung-Yun Hsu, Chien-Yeh	2,600	0	0	0	312	312	2022year	Transfer Pricing Fees in 2022 at NTD 180 Thousand; Travel Expense at NTD 132 Thousand.

Note 1: In case the Company has made replacements to the accountant or CPA firm, the audit periods shall be listed separately and the reason for such replacement shall be specified in the Remarks column, with information of audit or non-audit professional charges paid disclosed in order.

- (VI) Information on Replacement of Certified Public Accountants: No such occurrence in the Company.**
- (VII) In case any Chairman, President, manager responsible for financial or accounting affairs has been employed in the CPA firm the CPA is affiliated to or its related companies, name, role, and the period for services at the CPA firm the CPA is affiliated to, or its related companies shall be disclosed: No such occurrence in the Company.**
- (VIII) The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During The Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report.**

1. Changes in Share Ownership of Directors, Supervisor, Managers and Major Shareholders:

Unit: Share

職稱	姓名	2022		As at March 31, 2023	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Sheng, Kuo-Jung	(62,500)	0	(33,197)	0
Director	Lin, Yen-Huey	0	300,000	0	135,000
Director	Lin, Mei-Yu	(15,000)	0	0	0
Director	Wang, Hui-O	0	0	0	0
Director	Huang, Feng-I	0	0	0	0
Director	Central Investment Co., Ltd.	0	0	0	0

	Representative: Chang, Yu-Jeng	0	0	0	0
	Representative: Lin, Yue-Hong	0	0	0	0
Director	Kao Fong Machinery Co., Ltd.	0	0	0	0
	Representative: Sheng, Chien-Chih	30,500	0	33,197	0
Director	Hao-Qing Investment Ltd.	0	0	0	0
	Representative: Sun, Yong-Lu	77,000	0	0	0
Director	Tsai, Yu-Kung	35,000	0	0	0
Independent Director	Chueh, Ming-Fu	0	0	0	0
Independent Director	Cheng, Wen-Zheng	0	0	0	0
Independent Director	Liu, Zheng-Huai	0	0	0	0
President	Chen, Chun-Chih	0	240,000	0	0
Vice President	Sun, Cheng-Zhi	0	0	0	0
Vice President	Shen, Shui-Hsiang	0	0	0	0
Senior Manager	Chen, Tang-Ping	0	0	0	0
Senior Manager	Liu, Jian-Yi	0	0	0	0
Senior Manager	Wu, Zhao-He	0	0	0	0
Senior Manager	Chang, Ren-You	0	0	0	0
Accounting Supervisor	Chen, Chang-Yuan	0	0	0	0

Note: The Company has established its Audit Committee to replace supervisors since June 14, 2017.

## 2. Information in the transfer of equity interests:

Name (Note 1)	Reason for Stock Right Transfer (Note 2)	Transaction Date	Trading Counterpart	Relation of Trading Counterpart to Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares	Number of Shares	Trading Price
Sheng, Kuo-Jung	Disposition	2023/3/8	Sheng, Chien-Chih	Sheng, Kuo-Jung (Daughter)	33,197	2,439,979

Note1: Refers to Names of the Company's Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares to be entered in.

Note2: Refers to acquisition or disposition to be entered in.

## 3. Information in the pledge of equity interests:

As of May 10, 2023

Name (Note 1)	Reason for Changes in Pledge (Note 2)	Change Date	Trading Counterpart	Relation of Trading Counterpart to Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares	Number of Shares	Shareholding Ratio (%)	Pledge Ratio (%)	Amount Pledged (Redeemed)
Sheng, Kuo-Jung	Pledge	2020/11/17	Taipei Fubon Commercial Bank Anhe Branch	None	1,500,000	1.37	39.22	—
Lin, Yen-Huey	Pledge	2014/9/29	Taipei Fubon Commercial Bank Anhe Branch	None	1,200,000	1.36	95.73	—
		2020/9/28			1,180,000			—
		2020/9/29			620,000			—
		2020/9/30			200,000			—

		2022/5/12			300,000			—
		2023/03/24	Yuanta Commercial Bank Co., Ltd.	None	135,000			—
		2023/05/03		None	230,000			—
	Redemption	2023/04/17	Taipei Fubon Commercial Bank Anhe Branch	None	225,000			
Tsai, Yu-Kung	Pledge	2014/9/29	Mega Bank Northern Taichung Branch	None	930,000	0.35	96.37	—

Note1: Refers to Names of the Company's Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares to be entered in.

Note2: Refers to Pledge or Redemption to be entered in.



**(IX) Information on the Top 10 Holders of the company's Shares who Are Identified as Related Parties, Spouses or Relatives within Second-degree of Kinship:**

Top 10 Holders of the Company and their Relationships as Related Parties

As of April 14, 2023

Name (Note 1)	Shares Held in Person		Shares Currently Held by Spouse Shares Held		Total Shares Held in Shares Held		Top Ten Shareholders who Are Related Parties, Spouses, or Second-degree Relatives (Note 3)		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Zhong-Bu Investment Co., Ltd.	11,985,241	4.29	—	—	—	—	Central Motor Co., Ltd. Representative: Chang, Yu-Jeng	The representative of Central Motor is the chairman of the company	Director of the company
Representative: Chang, Yu-Jeng	74,246	0.03	—	—	—	—	Kao Fong Machinery Co., Ltd. Representative: Lin, Yen-Huey.	The representative is the director of Kao Fong.	—
Chien-Zhan Co., Ltd.	11,709,945	4.19	—	—	—	—	—	—	—
Representative: Shen, Chien-Yu	15,000	0.01	—	—	—	—	Sheng, Kuo-Jung	Sheng, Kuo-Jung is the father of the representative	—
Fu, Di-Chen	11,444,432	4.09	—	—	—	—	—	—	—
Central Motor Co., Ltd.	7,398,108	2.65	—	—	—	—	Zhong-Bu Investment Co., Ltd. Representative: Chang, Yu-Jeng	The representative of Zhong-Bu Investment is the chairman of the company	—
Representative: Chang, Yu-Jeng	74,246	0.03	—	—	—	—	Kao Fong Machinery Co., Ltd. Representative: Lin, Yen-Huey.	The representative is the director of Kao Fong.	—
Kao Fong Machinery Co., Ltd.	7,066,239	2.53	—	—	—	—	Lin, Yen-Huey	Lin, Yen-Huey is the chairman of the company	Director of the company
							Sheng, Kuo-Jung	Sheng, Kuo-Jung is the legal person director representative of the company.	
Representative: Lin, Yen-Huey	3,802,174	1.36	—	—	—	—	—	—	—
Cathay Life Insurance Co., Ltd.	6,722,006	2.40	—	—	—	—	—	—	—
Standard Chartered Bank (Taiwan) Limited in College Retirement Equities Fund Investment Account	5,321,278	1.90	—	—	—	—	—	—	—
Sheng, Kuo-Jung	3,824,170	1.37	37,140	0.01	—	—	Chien-Zhan Co., Ltd. Representative: Shen, Chien-Yu	Shen, Chien-Yu is the daughter of the Sheng, Kuo-Jung	Director of the company
							Kao Fong Machinery Co., Ltd. Representative: Lin, Yen-Huey.	Sheng, Kuo-Jung is the legal person director representative of the company.	

Lin, Yen-Huey	3,802,174	1.36	—	—	—	—	Kao Fong Machinery Co., Ltd. Representative: Lin, Yen-Huey.	Lin, Yen-Huey is the legal person director representative and chairman of the company	Director of the company
Vanguard Emerging Markets Stock Index Fund a series of vanguard international equity index funds	3,310,178	1.18	—	—	—	—	—	—	—

- (X) **Number of shares held by the company, directors, Supervisor, managers and entities directly or indirectly controlled by the company in the same reinvestment entity as well as consolidated shareholding ratio.**

consolidated shareholding ratio

Unit: Share

Investment in other companies (Note)	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Kao Fong Machinery Co., Ltd.	838,878	0.78	20,190,535	18.69	21,029,413	19.47

Note : refers to long-term investments assessed by the Company under equity method.

## IV. Funding Status

### (I) Capital & Shares

#### 1. Sources of capital

Unit: NTD Thousands (excl. shares counted at NTD)

As of April 14, 2023

Year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
March 2009	10	350,000,000	3,500,000	123,559,365	1,235,594	Capital Decrease at \$ 5,300 Corporate Bond Transfer to Shares \$ 1,115	—	(註 1)
July 2009	10	350,000,000	3,500,000	173,771,400	1,737,714	Type D Preferred Shares through Private Placement for Cash Capital Increase at \$ 157,800 (Note 3) Corporate Bond Transfer to Shares at \$ 344,320	—	(註 2)
January 2010	10	350,000,000	3,500,000	174,080,280	1,740,803	Corporate Bond Transfer to Shares at \$ 3,089	—	(註 4)
May 2010	10	350,000,000	3,500,000	200,310,280	2,003,103	Type E Preferred Shares through Private Placement for Cash Capital Increase at \$ 262,300 (Note 6)	—	(註 5)
May 2013	10	350,000,000	3,500,000	192,420,280	1,924,203	Type D Preferred Shares through Private Placement for Capital Decrease at \$ 78,900.	—	(註 7)
November 2013	10	350,000,000	3,500,000	224,233,005	2,242,330	Earning Transferred to Capital at \$ 110,810 Corporate Bond Transfer to Shares at \$ 207,317	—	(註 8)
May 2004	10	350,000,000	3,500,000	225,297,094	2,252,971	Corporate Bond Transfer to Shares at \$ 10,641	—	(註 9)
September 2014	10	350,000,000	3,500,000	232,024,084	2,320,241	Capital Surplus Transfer to Shares at \$ 67,270	—	(註 10)
November 2014	10	350,000,000	3,500,000	232,240,297	2,322,403	Corporate Bond Transfer to Shares at \$ 2,162	—	(註 11)
May 2015	10	350,000,000	3,500,000	234,956,513	2,349,565	Corporate Bond Transfer to Shares at \$ 27,162	—	(註 12)
April 2017	10	350,000,000	3,500,000	254,956,513	2,549,565	Shares via Cash Capital Increase at \$ 200,000	—	(註 13)
August 2020	10	350,000,000	3,500,000	254,517,513	2,545,175	Capital Decrease at \$ 4,390	—	(註 14)
February 2021	10	350,000,000	3,500,000	279,517,513	2,795,175	Shares via Cash Capital Increase at \$ 250,000	—	(註 15、註 16)

Note 1: Approved per 16 March 2009 Letter No. Jing-Shou-Shang-09801048520.

Note 2: Approved per 20 July 2009 Letter No. Jing-Shou-Shang- 09801168680.

Note 3: On July 30, 2009, a cash capital increase at \$ 157,800,000 was made through issuance of preferred shares through private placement, with the total amount of private placement at NTD \$ 102,570,000.

Note 4: Approved per 29 January 2010 Letter No. Jing-Shou-Shang-09901019460.

Note 5: Approved per 14 May 2010 Letter No. Jing-Shou-Shang-09901099780.

Note 6: May 14, 2010, a cash capital increase at \$ 262,300,000 was made through issuance of preferred shares through private placement, with the total amount of private placement at NTD \$ 236,070,000.

Note 7: Approved per 15 May 2013 Letter No. Jing-Shou-Shang-10201086560.

Note 8: Approved per 27 November 2013 Letter No. Jing-Shou-Shang-10201235950.

Note 9: Approved per 21 May 2014 Letter No. Jing-Shou-Shang-10301093110.

Note 10: Approved per 30 September 2014 Letter No. Jing-Shou-Shang-10301198260.

Note 11: Approved per 19 November 2014 Letter No. Jing-Shou-Shang-10301238140.

Note 12: Approved per 1 May 2015 Letter No. Jing-Shou-Shang-10401062640.

Note 13: Approved per 11 April 2017 Letter No. Jing-Shou-Shang-10601042200.

Note 14: Approved per 21 August 2020 Letter No. Jing-Shou-Shang-10901161830.

Note 15: Approved per 8 October 2021 Letter No. Financial-Supervisory-Securities-Corporate-1090359334.

Note 16: Placement extension with a period of 3 months is approved per 17 December 2020 Letter No. Financial-Supervisory-Securities-Corporate-1090377615.

#### 2. Types of Shares

Unit: Share

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Shares	279,517,513(Listed)	70,482,487	350,000,000	-

### 3. Information Related to Shelf Registration

Type of Securities	Expected Quantity Issued		Quantity Issued		Issuance Purpose and Expected Benefits of the Issued Portion	Expected Issuance Period for the Unissued Portion	Remarks
	Total Number of Shares	Approval Amount	Number of Shares	Price			
—	—	—	—	—	—	—	—

### 4. Shareholder Structure

April 14, 2023

Shareholder Structure Quantity	Structure Quantity Government Institution	Banking Institutions	Other Legal Persons	Individuals	Foreign Institution or Foreigners	Total
Number of R&D Personnel	0	27	264	47,902	139	48,332
Number of Shares Held (Share)	0	14,862,423	49,524,082	180,519,360	34,611,648	279,517,513
shareholding ratio (%)	0.00	5.32	17.72	64.58	12.38	100.00

Note: Primary exchange (or OTC) companies and emerging stock companies shall disclose their proportion of shareholding by Chinese capitals; “Chinese capitals” refer to persons, juristic persons, groups, other institutions in Mainland China or other companies engaging in investments at a third region, as provided in Article 3 of the Regulations Governing Permit to Investments in Taiwan by Mainland Chinese Persons.

### 5. Dispersion of Equity Ownership

#### Common Shares

April 14, 2023 (par value NT\$10 per share)

Shareholder Ownership	Number of Shareholders (People)	Number of Shares Held (share)	Shareholding Ratio (%)
1 ~ 999 Shares	22,923	1,342,102	0.48
1,000 ~ 5,000 Shares	20,515	39,257,866	14.04
5,001 ~ 10,000 Shares	2,579	19,725,925	7.06
10,001 ~ 15,000 Shares	821	10,310,601	3.69
15,001 ~ 20,000 Shares	433	7,881,195	2.82
20,001 ~ 30,000 Shares	390	9,830,131	3.52
30,001 ~ 40,000 Shares	184	6,424,605	2.30
40,001 ~ 50,000 Shares	89	4,118,869	1.47
50,001 ~ 100,000 Shares	196	13,712,712	4.91
100,001 ~ 200,000 Shares	80	10,907,603	3.90
200,001 ~ 400,000 Shares	47	13,066,190	4.67
400,001 ~ 600,000 Shares	22	10,295,265	3.68
600,001 ~ 800,000 Shares	10	6,725,774	2.41
800,001 ~ 1,000,000 Shares	8	7,143,072	2.56
More than 1,000,001 Shares	35	118,775,603	42.49
Total	48,332	279,517,513	100.00

### 6. List of Major Shareholders

April 14, 2023 (Unit: Share)

Shares Name of Shareholder	Number of Shares Held (share)	Shareholding Ratio (%)
Zhong-Bu Investment Co., Ltd.	11,985,241	4.29
Chien-Zhan Co., Ltd.	11,709,945	4.19
Fu, Di-Chen	11,444,432	4.09
Central Motor Co., Ltd.	7,398,108	2.65
Kao Fong Machinery Co., Ltd.	7,066,239	2.53
Cathay Life Insurance Co., Ltd.	6,722,006	2.40
Standard Chartered Bank (Taiwan) Limited in College Retirement Equities Fund Investment Account	5,321,278	1.90
Sheng, Kuo-Jung	3,824,170	1.37
Lin, Yen-Huey	3,802,174	1.36
Vanguard Emerging Markets Stock Index Fund a series of vanguard international equity index funds	3,310,178	1.18

7. Market Price per Share, Net Value, Earnings and Dividend Information within the Most Recent Two Years and up to the Date of Publication.

Unit: NTD; Thousand shares

Item \ Year		2021	2022	Current Year up to April 30, 2023 (Note8)
Market Price per Share (Note 1)	Highest	130.00	98.50	74.80
	Lowest	80.20	57.60	67.60
	Average	100.98	77.73	71.46
Net Value per Share (Note 2)	Before Distribution	30.85	31.66	31.96
	After Distribution	29.48	Note9	Not Applicable
Earnings per Share	Weighted Average Number of Shares (Attributable to Common Shares)	277,326 (Thousand shares)/Before Dilution 277,432 (Thousand shares)/After Dilution	279,518 (Thousand shares)/Before Dilution 279,765 (Thousand shares)/After Dilution	279,518 (Thousand shares)/Before Dilution 279,758 (Thousand shares)/After Dilution
	EPS(Note 3)	1.23/Before Dilution 1.23/After Dilution	2.23/Before Dilution 2.23/After Dilution	0.30/Before Dilution 0.30/After Dilution
Dividend per Share	Cash Dividend		1.10	Note 9
	Bonus Shares	Stock Dividend from Retained Earnings	0	Note 9
		Stock Dividend from Capital Surplus	0	Note 9
	Cumulative Undistributed Dividend (NTD Thousand)(Note 4)		0	Note 9
Analysis on RoE	Price–Earnings Ratio (Note5)		82.10	34.86
	Price to Dividend Ratio(Note6)		73.98	Note 9
	Cash Dividend Yield (Note 7)		1.35	Note 9

\* Where there is dividend distribution through capital increase transferred from Earnings or Capital Surplus, the market price and cash dividend information that is retroactively adjusted according to the number of shares issued shall be disclosed.

Note 1: List the highest and lowest market price for common shares of each year, and calculate the annual average market price by transaction values and volumes of each year.

Note 2: Please adopt number of shares issued at the end of the year as basis and list based on the distributions as resolved by the board of directors or shareholders' meeting in the upcoming year.

Note 3: Where retroactive adjustment is required due to bonus shares and the like, the EPS before and after adjustment shall be listed.

Note 4: Dividend. In case the undistributed dividend may be accumulated to the years with profits as provided by equity securities issuance terms, the cumulative undistributed dividend up to the current year shall be disclosed respectively.

Note 5: Price–Earnings Ratio = Average Close per Share of the Year/EPS.

Note 6: Price to Dividend Ratio = Average Close per Share of the Year/Cash Dividend per Share.

Note 7: Cash Dividend Yield = Cash Dividend per Share/Average Close per Share of the Year.

Note 8: Net value per share and EPS shall be listed with information of the most recent quarter as audited (reviewed) by CPAs up to the date of annual report publication; other columns shall contain the information of the current year up to the date of annual report publication.

Note 9: Earnings Distribution is yet to be adopted by the shareholders' meeting.

8. Company Dividend Policy and Implementation Thereof

(1) The dividend policy set forth in the Articles of Incorporation:

The Company's dividend policies intend to adopt the following approach: In consideration of the capital needs of the industry and for a sound financial structure, as well as in coordination with business growth, the Board of Directors of the Company consider the profitability and the original operational needs of the Company before proposing the Earnings distribution, and the total amount of shareholder dividends as included in the earnings distribution by the Board of Directors shall be between 30% and 80% of the

earnings distributable at the current year, in which the cash dividend shall not be less than 20% of the total shareholders' dividend.

- (2) Dividend distribution to be proposed to the shareholders' meeting:
  - A. The Board of Directors of the Company made a resolution on earnings distribution for the fiscal year of 2022 on March 16, 2023, which proposes cash dividends of NT\$447,228,021.
  - B. The share distribution/interest distribution rate is calculated on the basis of the total number of outstanding shares at 279,517,513 shares; the actual amount distributable for every 1000 shares held is calculated based on the number of shares actually issued and outstanding on the ex-rights/dividend dates. In this case of earnings distribution, in case there are variations to the Company's distributable number of shares [refers to number of convertible shares including convertible corporate bonds or convertible preferred shares or employee stock option certificate], resulting in corrections due to variations to interest distribution proportion for the shareholders' share distribution, the Board of Directors under full authorization by the shareholders' meeting is proposed.
  - C. The Chairman under authorization shall set forth the ex-dividend date after the resolution by the shareholders' meeting. This cash dividend will be distributed in cash in the unit of NTD (portions lower than NTD 1 will be round off) by the Company; Fractional shares lower than NTD 1 will be recognized as other income of the Company.
- (3) There is no expected event of major variations to dividend policies in the Company.
9. The effect of dividend distributions contemplated for the current fiscal year on company operating performance and EPS: Not Applicable.

#### 10. Employees' Bonus and Directors' Compensation

- (1) In accordance with Articles of Incorporation of the Company, after deducting accumulated losses from the current year's profit, if there is a profit, the Company shall set aside no less than 2% as Employees' Compensation, distributed in shares or cash as resolved by the Board of Directors. Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash; the Company may, based on the amount of the above profit, distribute an amount not more than 5% as Director's compensation. Employee compensation and Director's compensation distribution shall be reported to the shareholders meeting. However, the loss shall have been covered before distributing Employees' Compensation and Directors' compensation in proportion to the preceding paragraph.
- (2) The Company's 2022 Employees' Compensation and Directors' Compensation are estimated as follows:

Distribution Items	Amount
Employees' Compensation (Cash)	16,800,000
Directors' Compensation (Cash)	4,500,000
Total	21,300,000

- (3) Proposals on Distribution of Employees' Compensation and Directors' Compensation as adopted by the Board of Directors:  
As per profit in 2022 and estimated at 2.14% and 0.57% respectively, the Board of Directors has resolved to distribute Employees' Compensation at NTD 16,800,000 and Directors' Compensation at NTD 4,500,000 in cash.
- (4) Actual Distribution of the Employees' Bonus and Directors and Supervisors' Compensation in the Preceding Year:

Distribution Items	Amount
Employees' Compensation (Cash)	8,500,000
Directors' Compensation (Cash)	3,600,000
Total	12,100,000

#### 11. Share Repurchases: No such occurrence in the Company.

### (II) Issuance of Corporate Bonds: No such occurrence in the Company.

- (III) Issuance of Preferred Shares: No such occurrence in the Company.**
- (IV) Issuance of Global Depository Receipts: No such occurrence in the Company.**
- (V) Issuance of Employee Stock Options and Restricted Employee Shares: No such occurrence in the Company.**
- (VI) Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: No such occurrence in the Company.**
- (VII) Implementation of Capital Allocation Plans: No such occurrence in the Company.**



## V. Operational Highlights

### (I) Business Content

#### 1. Scope of Business:

##### (1) Main Business Contents of the Business Operated

- A. Other Transport Equipment and Parts Manufacturing.
- B. Mechanical Equipment Manufacturing.
- C. Other Machinery Manufacturing.
- D. Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- E. Motor Vehicles and Parts Manufacturing.
- F. Bicycles and Parts Manufacturing.
- G. Motor Vehicles and Parts Manufacturing.
- H. Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- I. Electronics Components Manufacturing.
- J. Wholesale and Retailing of Hardware.
- K. Wholesale and Retailing of Construction Materials.
- L. International Trade.
- M. Medical Materials and Equipment Manufacturing, Wholesale and Retailing.
- N. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### (2) Ratio of Main Products in Operations

###### 2022 Ratio of Main Products in Operations

Product Name	Percentage %
Motorcycle Gears and Axles	13.28
Automotive Gears and Axles	82.45
Others	4.27
Total	100.00

##### (3) Items for Current Products and Services of the Company

- A. Gears and Axles for Motorcycles.
- B. Gear shaft, gearbox parts, differentials, torque conversion system, etc. for heavy trucks.
- C. Parts for Reductive Drives.
- D. Epicyclic Gearing Sets for CVT.
- E. Transmission Gear and Axles for Motorcycles.
- F. Oil Pump Gears and Axles.
- G. ATV, mobility scooters and motorized wheelchairs.
- H. Gear Hobbing Machine, beveler, Gear Hobbing Machine, gear mesh measuring machine, servo press and other automation CNC equipment, etc.
- I. Components for Reductive Gears of Electric Cars.
- J. Parts for Hydraulic Systems of Satellites.
- K. Electromechanical system for Electric Cars.
- L. Aerospace parts.

##### (4) Items of New Products and Services Under Planned for Development

The Company has in recent years been making efforts in the orientation of product differentiation and market segmentation, committed to the development of products at high unit price and with high added value, while continuing in contributions of the development of green energy car-related components to maintain its competitive advantage in the market and stabilize number of customer orders. To respond to industrial upgrading and expand business, the Company has also successively purchased high-end precision machinery and detecting instruments, cultivated R&D and design talents, engaged in new product development, and shortened the development time to meet customer needs.

The focus of this year's research and development is mainly to develop transmission systems for various vehicles and to develop precision gears and transmission shafts required for green energy, environmentally friendly vehicle reducers, and aerospace components. The estimated products under R&D are as follows:

- A. Parts and Components for US Automotive Auto Transmission.
- B. Parts and Components for US Automotive Torque Converter.

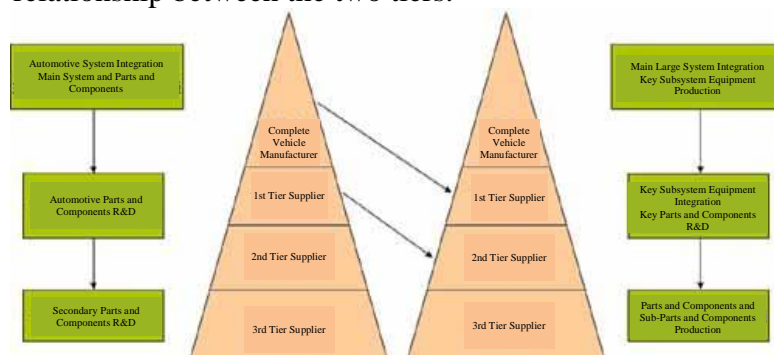
- C. Parts and Components for New Transmissions of High-End Motorcycles.
- D. Oil Pump Gear for US Industrial Machines.
- E. Parts for Gearboxes of US Agricultural and Construction Machinery.
- F. US Patented Limited-slip Differential.
- G. Parts and Components for European CVTs.
- H. Parts and Components for Air Compressors in Brake Systems for Trucks.
- I. Gear Hobbing Machine, shaving machines and beveling machines.
- J. Various ATV, mobility scooters and medical aid scooters.
- K. Parts and Components for reductive drive of US Electric Cars and their assembly.
- L. Bevel gears, and assembly for bevel gear differentials.
- M. Epicyclic Gearing Sets for Gearbox of Hybrid Cars.
- N. New CNC Gear Hobbing Machines (outer radius 400mm), multi-functional gearing measurer, gear lapping machine (outer radius 260mm) and other gear intelligence production integration technology.
- O. Electric vehicle high-efficiency power transmission system assembly
- P. Aerospace parts.

## 2. Industry Overview

### (1) Status Quo and Development of Industry

The Company is a professional manufacturer of transmission components for automobiles and motorcycles, with main scope of business in the manufacturing, processing and sales of gears, shafts and various transmission components for automobiles, trucks, motorcycles, agricultural machinery, machines and Aerospace, etc.

As far as the automobile and motorcycle component industry structure is concerned, the part and component industry and the automobile and motorcycle industry form a typical synergy structure, which central vehicle manufacturer outsource the parts and components to the Tier 1 supply plants, and the Tier 1 supply plants will then subcontract the production and manufacturing of parts and components to Tier 2 and Tier 3 automotive parts suppliers, which then becomes a multi-level labor division structure. In addition, divided by sales subjects, the manufacturers can be divided into original equipment manufacturer (OEM), original design manufacturer (ODM), original equipment supplier, (OES) and after-market (AM), therefore, automotive and motorcycle parts and components industry are the critical upstream industry for complete vehicle manufacturers for automobile and motorcycles, showing a close relationship between the two tiers.



(Source: ITRI)

The automobile and motorcycle industry is one of Taiwan's important manufacturing industries, with about 2,500 companies engaged in the manufacture of parts and components related to the automobile and motorcycle industry, among which contain a majority of manufacturers having developed flexible manufacturing technologies for production of parts in multiple types at small quantities through partial process automation, with the quality also in line with international standards. However, due to the smaller scale of the Taiwanese market and the lack of economies of scale in production, the market for Taiwanese parts and components manufacturers in cooperation with complete-vehicle OEM production and distribution is relatively limited, thereby diminishing the profitability of parts and component manufacturers. Therefore, domestic automobile parts and component manufacturers turn to the international market, in which the Companies may enter the global supply chain of OEM parts for international car manufacturers by obtaining certification from major international

manufacturers. At present, the trend of international labor division in the global automobile and motorcycle manufacturing industry is increasingly evident, plus foundry orders are continuously released by international manufacturers under cost considerations, furthermore causing a spike in demands for foreign procurements. Therefore, for all automobile and motorcycle component factories, they ways of becoming a trading counterpart of major international manufacturers has become an important business goal.

(2) The relevance of the industry's upstream, midstream and the downstream

The Company is affiliated with the upstream industry of automobile and motorcycle industry, mainly manufacturing products including gears and shafts for automobile and motorcycle transmission systems, and the relevance with the upstream, midstream and downstream within the same industry is as follows:



(3) Product Development Trend

The main sales markets of automobile and motorcycle parts and components are America, Europe and Asia, while major international manufacturers are mostly having their layouts in North America and Europe. Due to the vehicle safety requirements of international manufacturers, strict certification standards have been promulgated, making it uneasy for general manufacturers to penetrate the component supply chain. Domestically produced parts and components may not gradually increase their market shares in the supply chain of major international automobile manufacturers if without the competitive price and good quality. At present, foreign competition are originated from America, Japan, and Korea, among which American and Japanese manufacturers are relatively less competitive due to their high cost even with advanced R&D technologies; as for Korean manufacturers, they remain inferior to domestic manufacturers in terms of processing technology, product quality and resilience, having little influence in the supply chain of international manufacturers; therefore, domestic manufacturers still have considerable room for development in the automotive and motorcycle parts and components market.

In recent years, a fierce competition in the automotive industry in Europe and the United States can be witnessed, and the requirement of cost rationalization has been one of the important factors for its sustained survival. In addition, the supply and demand from China has become an increasing proportion of the world, and the quality has been gradually improved. Our industry will only obtain the critical keys to sustainable management of enterprises when having ongoing increase and facilitation in high-tech product R&D, quality and efficiency.

(4) Market Competition Situation

The Company has obtained ISO/TS16949, ISO14001, ISO45001 and AS9100D international certifications, is a professional manufacturer specialized in transmission systems and publicly traded in stock market, and is currently the professional manufacturer of transmission systems with highest sales proportion to European and American OEMs. Credited from the Company's competitive edges for its state-of-the-art equipment, strongest R&D capability, and the most stable product quality in the domestic automobile and motorcycle gear industry, yielding it a significant lead in the industry in terms of turnover and production scale.

3. Technology and R&D Overview

(1) Technical level and R&D of the business

The Company is a professional manufacturer of transmission gears and parts and components for automobile, motorcycle and mechanical products, with extreme valuing of product research and development and R&D team. As the Company has adopted relevant technology through self-development since its establishment, products of the Company are not only cost-effective but also have a comparative advantage in the development or modification of subsequent products. The Company has worked with Company A, a major large truck gearbox assembler from the US, in development of engine rear-wheel drive shafts, shift forks, and sliders for big trucks; with US Company E in joint research and development of heavy-duty

truck differentials; with American Company B in synchronous R&D of torque conversion system components; with US Company C in R&D of Oil Pump Gears; with Italian Company B in R&D of mechanical reducer gear sets; with British Company T in synchronous R&D of heavy-duty motorcycle transmissions components; with France Company K in development of air compressor components; with Italy Company P in reducer components; with US electric car Company T and Company R in transmission components; with Austrian Company B in gearbox components; with Germany Company B in electric motorcycle components, and has seized many other successful R&D achievements.

(2) R&D Personnel and Their Education Background and Working Experiences

The Company has 72 R&D personnel up to the date of annual report publication, accounting for 6.68% of the total employees of the Company. All R&D staff are with credentials of bachelor or above, while most of the main supervisors have R&D experience in related fields, forming the premium human resources composition of the Company.

(3) R&D Expense in the Most Recent Year

Unit: NTD Thousands

Year	R&D Expense	Operating Revenue	Ratio of R&D Expense to Revenue
2022	105,803	7,339,165	1.44%
Q1 2023	24,311	1,713,514	1.42%

(4) Technology or Products Successfully Developed in the Most Recent Year

The Company's Research Results of the Most Recent Year is as follows:

Year	Product Name
2021	Reductive Drive Set and Gears for Electric Cars Gearbox Assembly for Motorcycles Parts of Torque Conversion System Sets and Differential Sets of Automobile Parts and Components of Aeronautics and Space Industry.
2022	Reductive Drive Set and Gears for Electric Cars. Parts of Torque Conversion System Sets and Differential Sets of Automobile. Parts and Components of Aeronautics and Space Industry. Bevel wheel Bevel wheel differential assembly
Q1 2023	Reductive Drive Set and Gears for Electric Cars. Parts of Torque Conversion System Sets and Differential Sets of Automobile. Parts and Components of Aeronautics and Space Industry. Electric motorcycle motor shaft parts. Mid drive electric motor module

4. Long- and Short-Term Business Development Plans

(1) Short-Term Plans

A. Implementation of IATF/16949 international quality assurance system and ISO14001, ISO45001 environmental safety and health system.

To further implement the quality assurance system, improve the business characteristics, enhance product quality and efficiency, reduce costs and strengthen competitiveness, the Company establishes a synergy system centered by the Company, strengthening total quality management (TQM) activities, implementing lean productions (TPS), Quality System Basic (QSB), etc., striving to become an international supplier.

The Company strives to implement ISO 14001 and ISO45001 environmental safety and health certification systems, improve workplace environmental safety and health, and respond to environmental protection, energy conservation and carbon reduction issues,

has passed ISO 50001 Energy Management System, and obtained ISO 14064 greenhouse gas inventory and ISO 16047 carbon footprint certifications.

- B. Take all-out efforts to enter the field of international electric vehicle parts and components to expand to international market.

The Company is mainly received OEM orders and develops the USA, Europe, and China's sales market for automobile components which account for more than 90% of the Company's total sales.

In addition, compared with the development of the market for the fuel-powered vehicles, the Company values more to the booming trend of global electric vehicles in the future, and actively develops business opportunities amongst the transition by major international car manufacturers to electric vehicles, such as American, Japanese and Chinese markets, to implement the layout and decentralization of international sales in consideration of market and regional risks. The development of electric vehicle parts and components in various countries is indeed another battlefield for the Company's future product marketing strategy.

- C. Enhancing production efficiency and increasing productivity

Owing to the gradual expansion of the Company's scale of operations, in 2003, the Company entered the Central Taiwan Science Park, followed by official inauguration of the CTSP plant in 2006. In 2014, the Company expanded its production with construction of Dali 3rd plant in 2014, and built the new Chiayi Plant in 2015, which was joined by the expanded 2nd plant in 2017, 3rd plant in 2019 and 5th plant in 2022; meanwhile, after obtaining the license in April 2021, the Company promoted synergy with the newly purchased automated machinery and equipment and detecting instruments and other advanced technologies, with active planning on multiple sets of automated production lines as well as an intelligent plant (intelligent CPS system) in the Chiayi plant, to improve the Company's production productivity and efficiency.

- D. Enhancing R&D capabilities and strengthening international competitiveness

In response to the rapidly increasing number of commission cases for the development of new products abroad, the Company, to its R&D personnel, on the one hand strengthens its professional training for R&D personnel to acquire new knowledge and on the other hand implements the new product R&D regulations of IATF/16949 to shorten the R&D time and improve the mass production process, To enhance product quality, to reduce production costs, and to strengthen corporate competitiveness. In addition, the Company has completed the joint MOEA A+ Industrial Innovation R&D Program, The Taiwan Industry Innovation Platform Program, etc., which can significantly improve the Company's R&D capabilities, and can be of help to the Company's upgrades of patents at current state to high value-added systematic products.

- E. Profitability Product transition and upgrading to enhance profitability

Production of motorcycles and other gears and shaft parts currently accounts for 17.55% of the total production amount of the Company, and 82.45% for automobile components. The Company strengthens cooperation with major international automobile manufacturers through international marketing activities. Due to the ferocious price competition of single parts, the Company has now transformed the production of systematic component products to increase the added value and competitiveness of the products with a view to exit the vicious competition of single parts and to stabilize number of orders.

## (2) Long-Term Plans

- A. Continuous product upgrade

In terms of product transformation and upgrade strategy, in addition to the development and manufacturing of transmission parts for the existing fuel-powered vehicles, the Company is actively transforming the development of reductive drive gear component for green-energy vehicles such as hybrid cars and electric vehicles; for various precision gear special machine tools, the development and application of such is also heading toward the energy-saving and safety norms. In the future, the Company look forward to providing customers with comprehensive product planning, imprinting our expertise and experience

in each product, and mass production to create a wider product range and enhance profitability and international competitiveness.

#### B. Marketing Strategy and Operation Plans

The European and American markets have always been the driving force in the development of the automotive industry and is an advanced and well-credited international market. Therefore, compared with European and American regions subject to high wages, automotive components and components of our nation are relatively competitive. At present, the Company in the European and American auto parts market has cooperated with major auto assembly center factories to open up marketing channels.

In recent years, with the development of the auto market and the growth potential of emerging markets in mainland China, the Company will utilize its European and American experience as a foundation to gradually expand in mainland China and emerging markets, and at the same time strengthen the R&D of high value-added systemic new products, expand sales in the European and American markets, establish own branding and accelerate the pace of internationalization.

#### C. R&D Plan

##### a. Strengthening the functions of the R&D team

We actively strengthen the organization and functions of the R&D team, fully promoting high-quality automobile and motorcycle transmission parts and components, and enhance the added value of products to increase profitability.

In the long run, the Company regards the transmission system as sales and distribution market of its final product production, actively collects various transmission system products with the goal of diversified operations. The Company currently has R&D capability in collaborative development of electric vehicle reductive gearboxes, hoping to accelerate the schedule for commercialization and mass production to create a competitive niche for the Company.

##### b. Vertical Integration and Diversified Development of Products

For decentralization of the market meanwhile integrating the Company's R&D momentum, the Company will continue its upward development of precision CNC gear processing machines (such as shaving machines, beveling machines, gear hobbing machines, measuring instrument), etc., to reduce the Company's future capital expenditures and expand product lines.

#### D. Production Automation

Following with the R&D function to improve productivity and production efficiency, the Company plans to build automated production lines gradually and purchase fully automated and semi-automated machinery and equipment to reduce labor costs. The new plant in Dapumei, Chiayi is also equipped with automated production lines and detecting instruments, making it an intelligent plant. The Company remains introducing the latest machinery and equipment, such as central processing machines, high-precision grinders, conversion machines, laser cutting machines, high-frequency heat treatment and advanced detecting instruments, etc., ultimately achieving benefits of work force reduction and quality improvement.

## (II) Market and Production & Promotion Overview

### 1. Market Analysis

#### (1) Sales and Offering Regions for Main Items and Services

The Company mainly engages in the manufacturing and sales of gears, shafts and various transmission parts for automobiles, motorcycles, agricultural machinery, machine tools, etc., and currently supplies domestic automobiles and motorcycle manufacturers as well as automobiles, trucks, heavy machines assemblers in Europe, America, Asia and other regions. The main sales area for export is the United States. The sales are up to the main products in the 2 Most Recent Fiscal Years are as follows:

Unit: NTD Thousands

Year Region	2022		2021	
	Amount	Amount	Amount	Proportion (%)
America	4,108,941	55.99%	4,000,789	59.84%



China	757,709	10.32%	727,567	10.88%
Taiwan	296,370	4.04%	348,210	5.21%
Europe	1,615,239	22.01%	708,974	10.60%
Other	560,906	7.64%	900,824	13.47%
Total	7,339,165	100.00%	6,686,364	100.00%

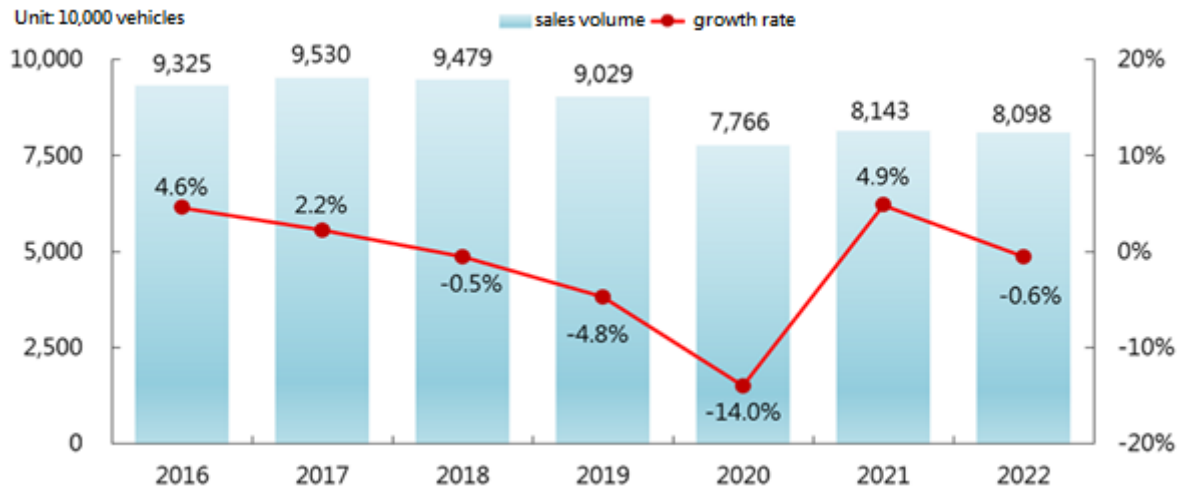
(2) Market Share

Motorcycle Gears and Axles produced by the Company in 2022 accounted for approximately 3.07% of the total output value of the domestic automotive parts and components market. In terms of Automotive Gears and Axles, the Company is currently the first publicly traded company in Taiwan exporting to OEMs overseas.

(3) Market Supply & Demand Status and Growth

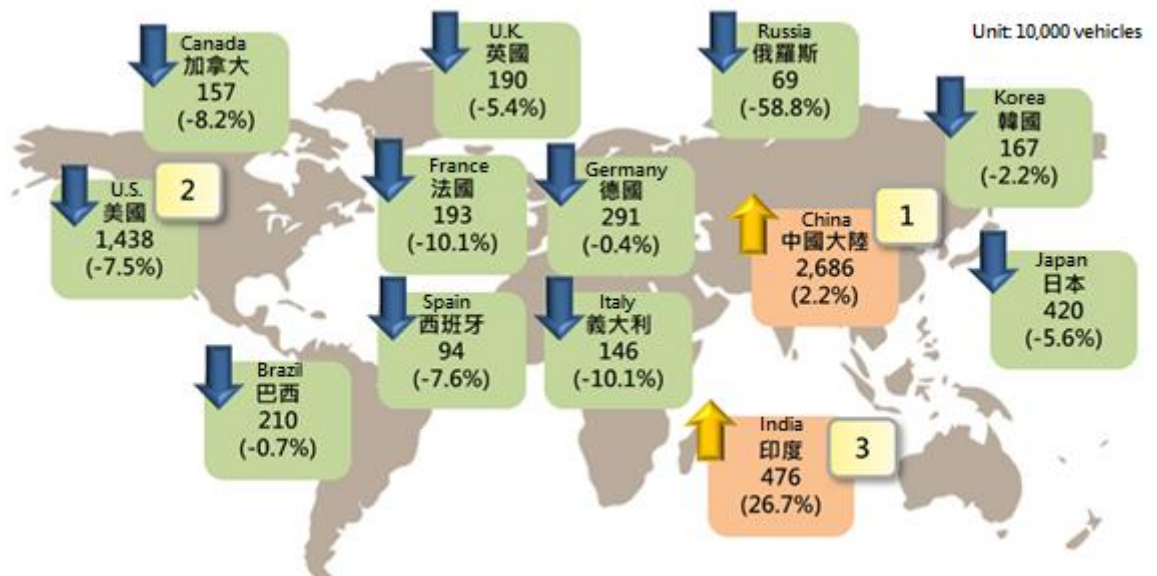
The global vehicle sales were 80.98 million, which decreased by 0.6% in 2022. The leading causes were the impact of COVID-19, Russia's attack on Ukraine, inflation and interest rate increases. Except for growth in China and India, there is a decline in other countries. In addition, the global market momentum for transformation and development towards electric vehicles remains strong. According to the forecast of Topology Research Institute, the global vehicles market is expected to grow by 3.7% in 2023, with the EV market expected to grow by nearly 40%. The global vehicle market will benefit from positive factors such as rising demand for EVs and the gradual easing of shortages, pushing the sales volume and EV market share to new highs in 2023.

Picture 1. Worldwide EV Sales in 2021



Source: LMC Automotive , Organized by Vehicle Center

Picture 2. Sales of Top 10 Worldwide EV OEMs

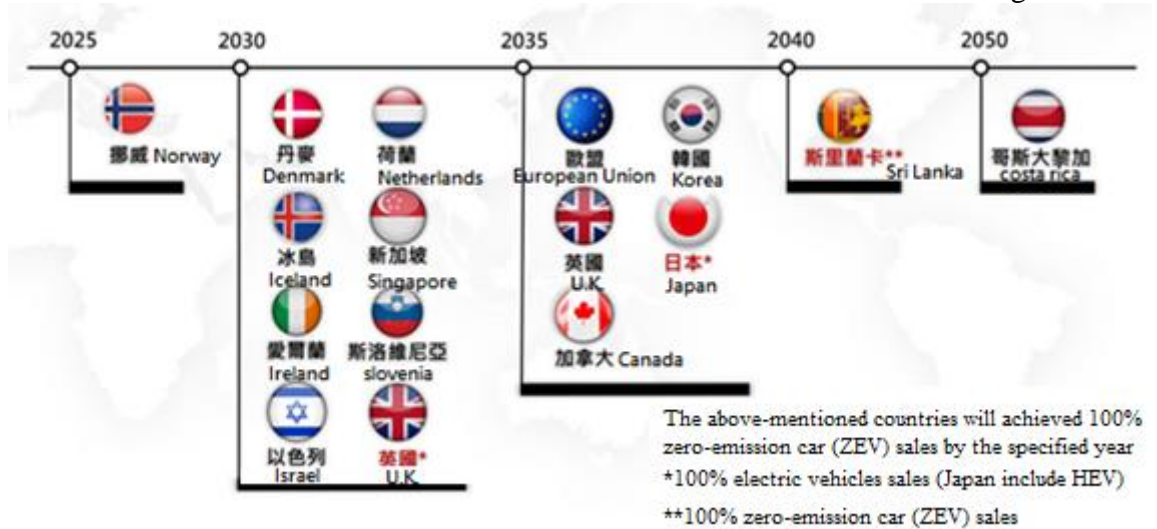


Source: MarkLines , Organized by Vehicle Center

In response to the trend of greenhouse gas reduction and stringent global government regulations, international vehicle manufacturers focus their resources on key systems and components for emerging electric vehicles to develop energy-efficient and carbon-reducing electric vehicles and gradually reduce the proportion of research and development and investment in internal combustion engines.

A number of international car manufacturers have announced that they are accelerating their transition to electric vehicles and have set specific targets for the launch of electric models and sales volumes. For example, Mercedes-Benz, the European benchmark, is aiming to launch all new models after 2025 with an electric vehicle option.

Picture 3. Global zero-emission vehicle mandates and internal combustion engine bans

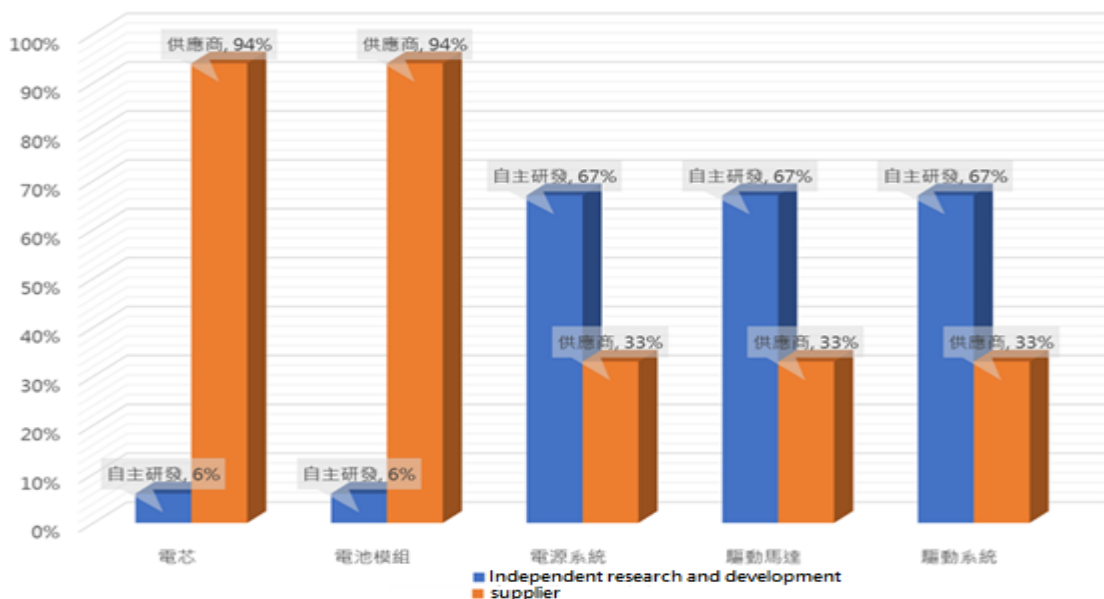


Source: International Energy Agency (IEA) , Organized by Vehicle Center

The development of electric vehicle platform will be different from that of fuel-powered vehicles, and the core technology will be shifted to research and development by vehicle manufacturers.

There is a difference from the past in analyzing the supply chain of vehicle manufacturers. In the past, most of the technology for fuel-powered vehicles was provided by suppliers, and system integration was carried out by vehicle manufacturers. The proportion of electric vehicle platforms such as power conversion and management systems, drive motors, and drive systems developed in-house by vehicle manufacturers is gradually increasing.

Picture 4. Chat of supply chain for key systems on EV platforms by vehicle manufacturer



Source: Official website of the vehicle manufacturer, online diversified information, Organized by Vehicle Center



## Next-generation electric vehicle platform, New opportunity for Taiwan's industry

In order to improve the energy efficiency and performance of electric vehicles, manufacturers are already planning the development of the next generation of electric vehicle platforms. New platforms and technologies are expected to be introduced and in mass production from 2025 onwards, offering higher density batteries and better drive and power management technologies that are expected to surpass the driving range of fuel-powered vehicles.

In the past, the vehicles industry focused on the strength of heavy industry in the era of internal combustion engines. However, in the era of electric vehicles, the adoption of modular and platform architecture has led to an evolution of the vehicles industry closer to that of the IT industry, with change focus of future development to the high-speed computing, networking, big data, intelligent control and information security. Taiwanese manufacturers can tap into the ever-closed vehicles manufacturers supply chain by combining the advantages of the information and communication industry and the electric vehicle supply chain.

As global sales of electric vehicles continue to rise, vehicles manufacturers are investing in plants around the world and seeking cooperation with local manufacturers, which is expected to provide new opportunities for Taiwan's related industries.

### (4) Competitive Niche

#### A. Premium Product Quality

The Company attaches great importance to product quality. In addition to obtaining ISO 14001 certification ahead of its counterparts in the same industry, it has also obtained IATF/16949 quality assurance certification, becoming the first company in the domestic gear industry to obtain IATF/16949 quality certification. In addition, the quality of a motorcycle has a close relationship with the quality level of its parts and components. As the company has strict requirements on product quality, its product quality is highly acclaimed, and the Company has not received any major customer complaints in recent years.

#### B. Flexible production strategy and complete product specifications

In response to market needs, the Company not only produces gears and shafts for automobiles and motorcycles, but also produces gears and shafts for trucks, forklifts, agricultural machinery, industrial machinery, etc., and its production line features high mobility which can fully meet customer needs. All are made to expand market share and increase its competitiveness.

#### C. Strong R&D capabilities, complete deployment of professional talents, and leading development of high value-added products

The Company attaches great importance to the R&D of product, therefore employing R&D personnel whose education background, working experience and professional knowledge are the top-notch amongst the counterparts. The Company actively introduces advanced research and testing equipment and has successively cooperated with well-known American and European manufacturers in joint R&D of parts and components required by OEMs and after markets at current stage, evidencing the strong R&D capability of the Company.

#### D. Precision testing instruments and production machines

Automated machinery and equipment and precision testing instruments are effective instruments for the Company to take large international orders. Therefore, to improve product quality and reduce labor costs, the Company spares no effort in introducing high-performance, high-precision and automated machinery and detecting instruments to get itself equipped with capability to take large-scale orders. At the same time, the Company roots its technological independence, simultaneously developing precision gear processing machines and optical detecting instruments to seal the Company's position as a leading manufacturer of transmission parts and components.

### (5) Favorable and unfavorable factors of development prospects and their countermeasures

#### A. Favorable Factors

- a. Continued growth in market demand for electric vehicles

The global electric vehicle market is rising, and the demand for electric vehicles and motorcycles continues to grow. The mainland Chinese market is currently the single largest market in the world, meanwhile, the Company is the main exporter of domestic auto, motorcycle gear and shaft products, in addition, compared to others Asian suppliers, the Company is with advantages in language and product export, and the Company has deeply rooted in the Chinese automobile and motorcycle market for quite a long time, and has profound understanding and mastering in customer needs. Recently, China has promoted the green energy automobile policy. With the deep roots in the development of automotive transmission components for multiple years, the Company already has equipped with mass production and diversified product ordering capabilities, and the expected performance benefits will gradually develop.

- b. Establishing a good supply channel and developing domestic and foreign marketing networks

The Company is currently a major subcontractor for the famous major manufacturers of large truck transmission assembly, differential, torque conversion system, oil pump Gears, reduction gears and others in the US. With the good reputation, stable delivery, and product quality retained for multiple years have been well received by customers. Affirmative. The Company has obtained ISO 14001 and IATF/16949 environmental and quality assurance system certifications, which furthermore helped the Company in enhancing the Company's international competitiveness. The Company has recently been committed to product upgrades and has achieved great results in the R&D of spare parts in the automotive industry, gaining popularity from European and American customers, therefore, with the increase in ratio of high value-added products, profitability of the Company is relatively improved.

- c. Excellent R&D Technology

The Company has amongst its counterparts in the same industry the most advanced production equipment and detecting instruments, and its R&D capabilities are also superior to counterparts in the industry. At the same time, the Company has a strong R&D team with more than 60 R&D personnel who can rapidly develop products in response to customer needs, and such conduct has won customers trust as well as making the Company the top spot in the domestic automotive gear industry. The Company has had more than 50 years of gear production experience and has owned professional R&D technology that can meet customer needs, while developing large truck engine rear wheel drive shafts, Transmission shafts, differentials for heavy-duty trucks, torque conversion system components, oil pump gears, electric vehicle reductive drive gearboxes, etc. in joint R&D with well-known American manufacturers. In addition, the Company has also established cooperative relationships with many well-known European and American OEM manufacturers. The collaborative R&D technology is deeply trusted by customers across European and American countries.

#### B. Unfavorable Factors

- a. Products diversified in various types and produced in small quantities difficult to mass-produce for reduced manufacturing cost

As the production of domestic automobile and motorcycle parts and components feature a diversification in types with smaller quantity in production, parts manufacturing costs are difficult to be reduced, furthermore influencing the price competitiveness of a single product.

Countermeasures:

- (a) Adjusting the production and sales/distribution structure of products and the procurement of raw materials, and strengthening the rationalization of production and the automation of machines and tools to reduce costs, increase productivity, and increase the production and sales/distribution of automotive parts and components year by year.

- (b) Having full grasps to the market, information and trends, and actively expanding international marketing channels to expand the scale of production and sales/distribution and reduce manufacturing costs.
- (c) Strengthening product R&D capabilities, and actively cultivating talents to respond to market variations under flexibility.
- (d) Seeking for multiple raw material suppliers to make inquiries and price comparisons to effectively reducing product costs.
- b. Smaller manufacturer scales, and ferocious competitions in price cutting  
There are many domestic automobile and motorcycle parts industries, among which contain numerous small and medium-sized gear manufacturers that cut prices for the goods supplied, resulting in fierce competition and illusions to customers.  
Countermeasures:
  - (a) Fulfilling the implementation of IATF/16949 and other quality assurance certification systems to improve product quality, and take high quality, high efficiency and customer satisfaction as the competitive niche of the Company.
  - (b) Actively improving technical capabilities, and strengthening the overall competitive advantage with the advantage of its leading technology.
  - (c) Developing in the direction toward a large and professional parts and components manufacturer to rid the Company from price-cutting competition of low-priced products.
  - (d) Actively developing business sources in the international market to expand product markets and to spread operational risks.
  - (e) Committed to the R&D of high value-added products and reinforced cost control for enhanced profitability.
  - (f) With use of resource and integration of R&D results, the Company intends to ensure its lead in technical capabilities, heading toward product diversification.
- c. The phenomenon of workforce shortage is prevalent in various domestic manufacturing industries, costs of wages are therefore relatively increased.

Countermeasures:

- (a) Promoting automation and productivity 4.0 and accelerating equipment renewal meanwhile introducing the multi-skilled training to reduce labor costs and to increase productivity while improving the quality of the working environment with a view to reduce the conventional negative image of the industry and attract outstanding talents.
- (b) Employing foreign contract labor and dispatched worker to resolve the issue of labor shortage.

In summary, the Company's favorable factors in industry, business and other related matters are certainly helpful to the Company's future development. The Company will adhere to its business philosophy and corporate spirit, devote itself to planning high-quality products, and actively expand domestic and oversea markets to enhance profitability; and, as for the unfavorable factors, the Company has also taken appropriate measures to seize market opportunities and have excellence in sales performance.

## 2. Important use and production process of main products

### (1) Important uses of main products:

Transmission gears and shafts produced and manufactured by the Company refer to manufacturing and assembly of automobile and motorcycles components.

### (2) Production process of main products:

The status of the production process is as follows:

#### A. Parts of Torque Conversion System:

Forging→ Normalization→ Detailing via CNC Lathe→ Rolling→ Heat Treatment→ Calibration→ Grinding→ Electron-beam Welding→ Detailing via CNC Lathe→ Quality Inspection→ Packing→ Stock In

#### B. Differential:

Forging→ Normalization→ Detailing via CNC Lathe→ Center Pores and Teeth Processing using Processing Machine→ Heat Treatment→ Grinding→ Assembly→ Quality Inspection→ Packing→ Stock In

C. Oil Pump Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Hobbing→ Shaving→ Heat Treatment→ Inner Pore→ Plane Grinding→ Grinding Bevels of Outer Teeth→ Assembly→ Quality Inspection→ Packing→ Stock In

D. Reductive Drive Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Hobbing→ Shaving→ Heat Treatment→ inner radius Grinding→ Quality Inspection→ Packing→ Stock In

E. Gearbox Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Inner Teeth Broaching→ Hobbing→ Spading→ Shaving→ Heat Treatment→ Grinding→ Quality Inspection→ Packing→ Stock In

(3) Supply Status for Main Raw Materials

Product Type	Main Raw Materials	Name of Main Supplier	Supply Status
Automobile and Motorcycle Gears and Shafts	Steel	China Steel Corporation	Great quality and stable sources
	Castings	JAN FA	The specification meets market standards and has a stable source
	Forging	ZCI	The specification meets market standards and has a stable source

(4) List of Main Selling and Purchasing Customers Accounting for at least 10% of the Company's total sale/purchase in the 2 Most Recent Fiscal Years

A. Information of Main Suppliers in the 2 Most Recent Fiscal Years

Unit: NTD Thousands

2021					2022				2023 up to Q1			
Item	Name	Amount	Ratio to All-Year Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio to All-Year Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio to Net Sales of the Current Year up to the Preceding Quarter [%]	Relationship with Issuer
1	China Steel Corporation	1,850,681	66.64	None	China Steel Corporation	1,523,324	70.31	None	China Steel Corporation	333,299	68.02	None
2	Toufen	60,037	2.16	None	Jan Fa Industrial	83,508	3.86	None	Jan Fa Industrial	23,614	4.82	None
3	Others	866,429	31.2	-	Others	559,626	25.83	-	Others	133,079	27.16	-
	Net Purchase	2,777,147	100.00	-	Net Purchase	2,166,458	100	-	Net Purchase	489,992	100.00	-

\* Owing to the premium quality and stable supply of materials, the Company has made mass procurements from China Steel to reduce material purchase costs.

B. Information of Main Trade Debtors in the 2 Most Recent Fiscal Years

Unit: NTD Thousands

2021					2022				2023 up to Q1			
Item	Name	Amount	Ratio to All-Year Net Sales[%]	Relationship with Issuer	Name	Amount	Ratio to All-Year Net Sales[%]	Relationship with Issuer	Name	Amount	Ratio to Net Sales of the Current Year up to the Preceding Quarter [%]	Relationship with Issuer
1	Company A	1,837,013	35.25	None	Company B	2,643,914	36.02	None	Company A	693,101	40.45	None
2	Company B	1,620,691	31.10	None	Company A	1,580,092	21.53	None	Company B	448,969	26.20	None
3	Others	1,753,338	33.65	-	Others	3,115,159	42.45	-	Others	571,444	33.35	-
	Net Sales	5,211,042	100.00	-	Net Sales	7,339,165	100	-	Net Sales	1,713,514	100.00	-

\* The changes in the performance of the main trade debtors are mainly due to the acceleration of the release of OEM parts and components orders and the demand for division of labor, and the increase in the proportion of external purchases resulting from the American auto parts and component manufacturers under the pressure of meagre profits and cost reduction. In addition, as the Company is benefitted from such trend featuring deals with major companies and jointly researches and develops synchronously with parts OEMs, the Company's product line is expanded from sole manufacturing of transmission parts to transmission assemblies of differentials and torque converters in complete sets. Variations in trade debtors are also affected by the sales performance in growths and declines of individual customer.

(5) Production Volume in the 2 Most Recent Fiscal Years

A. Consolidated

Unit: Thousand Pieces; NTD Thousands

Main Items(or Sector)	Year Volume of Units Sold	2021			2022		
		Productivity	Production	Output Value	Productivity	Production	Output Value
Motorcycle Gears and Axles		588	834	529,514	830	890	887,179
Automotive Gears and Axles		20,727	17,397	4,614,947	17,371	15,275	4,662,514
Others		4,396	2,888	572,121	6,250	5,976	673,680
Total		25,711	21,119	5,716,582	24,451	22,141	6,223,373

B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

Main Items(or Sector)	Year Volume of Units Sold	2021			2022		
		Productivity	Production	Output Value	Productivity	Production	Output Value
Motorcycle Gears and Axles		588	834	529,514	830	890	887,179
Automotive Gears and Axles		10,987	8,946	4,454,727	10,431	9,983	4,570,315
Others		397	773	509,392	499	864	559,259
Total		11,972	10,553	5,493,633	11,760	11,737	6,016,753

(6) Volume of Units Sold in the 2 Most Recent Fiscal Years

A. Consolidated

Unit: Thousand Pieces; NTD Thousands

Main Items (or Sector)	Year Volume of Units Sold	2021				2022			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Motorcycle Gears and Axles		318	101,900	509	434,687	292	97,350	456	877,396
Automotive Gears and Axles		5,178	59,915	11,968	5,718,283	4,637	72,633	10,761	5,978,341
Others		561	186,395	691	185,184	2,209	149,060	483	164,385
Total		6,057	348,210	13,168	6,338,154	7,138	319,043	11,700	7,020,122

B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

Main Items (or Sector)	Year Volume of Units Sold	2021				2022			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Motorcycle Gears and Axles		318	101,900	509	434,687	292	97,350	456	876,762
Automotive Gears and Axles		47	14,472	9,154	5,308,128	48	14,034	9,919	5,596,959
Others		561	186,399	691	185,184	468	149,060	484	164,066
Total		926	302,771	10,354	5,927,999	808	260,444	10,859	6,637,787

**(III) Number of Employees Employed for the 2 Most Recent Fiscal Years**

	Year	2021	2022	2023 (March 31)
Number of employees	Direct	709	774	792
	Indirect	341	350	352
	Total	1050	1124	1144
Average Age		37.08		37.61
Average length of service		6.98		6.95
Education distribution ratio (%)	PhD	0%	0%	0%
	Master	2.95%	2.40%	2.45%
	Bachelor	40.00%	37.37%	36.98%
	Senior High School	25.43%	24.11%	24.30%
	Less than Senior High School	31.62%	36.12%	36.28%

**(IV) Information Regarding Environmental Protection Expenditure**

- Environmental Protection Expenditures According to regulations, the company has to apply and receive permits for the establishment of anti-pollution facilities and pollution effluent, pay pollution prevention fees, or designate environmental personnel. The status of the measures mentioned above is as follows:
  - As per Waste Disposal Act, in case the Company's paid-in capital is more than NTD 2 Billion, dedicated personnel responsible for equipment waste are required at each plant.
  - The Company's plants regularly pay fees for sewage treatment and soil and groundwater pollution remediation.
  - The heat treatment equipment in the 5th Chiayi plant is expected to apply for a variation of the stationary source installation permit in 2023.
  - As per environmental protection laws and regulations, the sewage discharge outlets of each plant shall be sampled for testing every 6 months, and the water pollution fee shall be declared.
  - As per environmental protection laws and regulations, fixed pollution source air pollution fee and discharge amount of heat treatment shall be declared each quarter, and charges based on the declared amount shall be paid.
  - The Company's 5th plant in Chiayi has completed the application for sewage discharge from the Tapumei, and is expected to apply for connection with the Dapumei sewage plant in 2023 and apply for a water pollution prevention permit from the Environmental Protection Bureau, Chiayi County.
  - Sewage discharge from the Company's plants shall meet the discharge standards of the Water Pollution Control Act, and the discharge of fixed pollution sources must meet the operating permits of fixed pollution sources.
  - The Company's plants conduct ISO14001 (Environmental Management System)/ISO45001 (Occupational Safety Management System) external audits and verifications every year.
  - The Company will hold ISO 14064 Greenhouse Gas Inventory annually. In 2023, the Company conduct the Greenhouse Gas Inventory in Chiayi, Central Taiwan Science Park and Dali plants, and external audits will be conducted simultaneously in 2023.
  - The Company conducted the ISO14064 Greenhouse Gas Inventory in Chiayi and carbon emissions have reached the level which required reported annually by the Environmental Protection Administration in 2022.
- The Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:
  - In 2022, the construction of the fifth plant in Chiayi initiated, and the concrete grooves were planned synchronically with the sewage plant. The sewage treatment system which is

- according will be planned after the concrete grooves were planned synchronically with the sewage plant following the standard of Chiayi Dapumei Precision Park. The sewage plant is expected to be completed by 2023, with a water pollution prevention permit obtained.
- (2) The water pollution control permit of the sewage plant, which was built per the requirements of environmental protection regulations in the 3rd Chiayi plant, was completed in 2023.
  - (3) The acquisition of heat treatment equipment of the Chiayi Plant, the application for variation of fixed source prevention equipment and variation of the stationary source installation permit were completed in 2023.
  - (4) The Company's industrial waste reduction plan for each plant features fulfillment of effective sorting through source management. Resources collected are recycled by qualified operators, with rebates given to the Company. The remaining waste will be handled by general business cleaning and transportation operators.
  - (5) All the industrial waste generated by the Company's plants are handled by the cleaning and transportation operators. Due to the relevant regulations set by the Environmental Protection Agency, the Company's waste must be treated separately in accordance with the relevant regulations.
3. Describing the process undertaken by the Company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described:
    - (1) The Company is a professional manufacturer and marketing operator of gears, shafts and various transmission parts and components, whose disposal of industrial waste generated from manufacturing and processing shall be handled by legally qualified operators or cleaning personnel, and filed according to the industrial waste cleaning plan.
    - (2) In addition to the daily equipment inspection of the Company's sewage treatment equipment, mechanical and electrical operators are commissioned for weekly maintenance to ensure normal operation of equipment. As environmental safety personnel operate the equipment on a daily basis, the water quality report is regularly submitted.
    - (3) The Company's heat treatment plant regularly declares regular inspections annually to ensure the normal discharge by fixed pollution sources.
  4. Describing any losses suffered by the company in the most recent fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:
    - (1) For the case of a stationary source of pollution at the Chiayi plant, the new sand blasting machine was operated without obtaining a test run permit, and the dust collector is inconsistent with the original permit, which is a violation of Article 24(2) of the Air Pollution Law and the penalty NTD100,000 shall be imposed.
  5. Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years:
    - (1) Expect to carry out the improvement and cleaning of sewage system and discharge to outsider area of plant in all plants.
    - (2) The renewal evaluation will conduct in 2023 since the sewage equipment was set up in basement for resulting in short use life in No. 1 Chiayi plant.

#### **(V) Labor Relations**

1. Employee welfare policy
  - (1) Allowances for Weddings, Funerals and Other Life Events
    - A. Wedding Allowance: NTD 2,200~6,000.
    - B. Childbirth Allowance: NTD 3,000.
    - C. Hospital Consolation: NTD 2,000~6,000.
    - D. Funeral Assistance: NTD 2,100~5,500.
  - (2) Welfare Activities by the Employee Welfare Committee

On the Chinese New Year, Labor Day, Dragon Boat Festival, Mid-Autumn Festival and employees' birthdays, the Employee Welfare Committee purchase and give away gifts or grants; in addition, the Committee conducts the raffles for Year-End feasts; also, the Committee regularly organize employee tours, birthday parties and other activities to bring employees closer.

- A. Employee birthday Party: NTD 1,000 for each employee per year.
- B. Wedding Allowance: NTD 3,600.
- C. Childbirth Allowance: NTD 3,000.
- D. Funeral Assistance: NTD 3,100.
- E. Hospital Consolation for Injuries, Illness and Hospitalization: NTD 2,000.
- F. In events of an employee suffering from major disasters, the amount of assistance may be resolved by case by the Welfare Committee.

(3) Continuing education and training: In accordance with the Company's "Regulations Governing Employee Education and Training", the education and training courses of each department are arranged.

2. Retirement system:

In line with the "Labor Pension Act" enforced on July 1, 2005, the Company has enabled the option of adopting retirement system relevant to "Labor Standards Act" or adopting the pension system as applied in Labor Pension Act and retaining the years of employment prior to enforcement for employees employed before June 30 who are incumbent on July 1, while new employees employed from July 1 2005 are only applicable to the pension system of the "Labor Pension Act". For ones adopting the new system, the Company disburses 6% of the employees' monthly salary to the individual pension account under Labor Insurance Bureau. For the ones adopting old pension system, the Company formulates regulations governing employee retirement in accordance with the provisions of the Labor Standards Law, and reserves are allocated monthly to the special trust account under Taiwan Bank.

3. Agreements between Labors and Management

The Company establishes channels for coordination via organization of quarterly labor-management meetings, management department meetings amongst various units, etc., facilitating communications between labor and management.

4. Any losses suffered by the Company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company has a fair labor relation and has not been affected in operations due to labor disputes since its establishment, in addition, in accordance with current situation, there is no potential for labor disputes; therefore, the possibility of future labor dispute losses is very unlikely. However, the CTSP Plant was notified of violation against laws and regulations in its labor inspection results as per 11 April 2022 Letter No. Taichung-Environmental-Protection-Zi-1110008497, per 7 December 2022 Letter No. Taichung-Environmental-Protection-Zi-1110029867 and per 16 March 2023 Letter No. Chiayi-Labor-Zi-1120051303, which violated Article 32, paragraph 2 of the Labor Standards Act, and a fine at NTD 250,000 was imposed. The Company has re-examined the working hours management system and strengthened communication to promote overtime reporting regulations ever since.

**(VI) Important Contracts:**

The Company still has supply/distribution contracts, technical cooperation contracts, engineering contracts, and other contracts that would affect investors' equity which are retaining or expired in the most recent fiscal year:

Contract Feature	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clause
Syndicated Loans Contract	Consortium Bank formed by Land Bank et al.	2021/3/11-2026/3/11	Syndicated Mortgage Borrowing	None



Subcontractor Supply and Processing Contract	ZOENG CHANG INDUSTRY CO., LTD.	2022/3/1-2027/3/1	Raw Material Supply and Parts Processing	None
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## VI. Financial Highlights

### (I) Condensed Financial Information in the Most Recent Five Years

#### 1. Condensed Balance Sheet and Composite Income Sheet Information Condensed Consolidated Balance Sheets

Unit: NTD Thousands

Year Items		Financial information for the most recent five years (Note 1)					Current Year Financial information as of March 31, 2023 (Note 3)
		2018	2019	2020	2021	2022	
Current Asset		5,567,504	5,143,310	5,409,457	7,243,670	8,229,141	7,865,191
Property, Plant and Equipment (Note 2)		8,907,320	10,672,421	11,540,853	12,765,015	13,759,127	13,801,662
Intangible Assets		14,172	14,142	7,034	6,693	7,552	6,717
Other Assets (Note 2)		1,086,904	1,325,979	1,393,831	1,088,241	930,491	1,031,608
Total Asset		15,575,900	17,155,852	18,351,175	21,103,619	22,926,311	22,705,178
Current Liability	Before Distribution	4,303,703	4,843,688	6,426,290	6,733,378	6,763,659	6,518,001
	After Distribution	5,196,051	5,353,601	6,733,759	7,114,919	7,210,887 (note6)	Not applicable
Non-Current Liability		4,401,403	5,687,236	5,517,842	5,626,113	7,186,992	7,128,554
Total Liability	Before Distribution	8,705,106	10,530,924	11,944,132	12,359,491	13,950,651	13,646,555
	After Distribution	9,597,454	11,040,837	12,251,601	12,741,032	14,397,879 (note6)	Not applicable
Equity Attributable to Owners of the Parent		6,816,615	6,568,576	6,352,558	8,623,105	8,849,666	8,932,068
Stock Capital		2,549,565	2,549,565	2,545,175	2,795,175	2,795,175	2,795,175
Capital Surplus		1,916,204	1,916,204	1,906,479	3,833,804	3,833,804	3,833,804
Retained Earnings	Before Distribution	2,374,695	2,151,043	1,936,020	2,054,480	2,315,845	2,399,540
	After Distribution	1,482,347	1,641,130	1,701,225	1,672,939	1,868,617 (note6)	Not applicable
Other Equities		(23,849)	(48,236)	(35,116)	(60,354)	-95,158	(96,451)
Treasury Shares		0	0	0	0	0	0
Non-Controlling Interest		54,179	56,352	54,485	121,023	125,994	126,555
Total Equity	Before Distribution	6,870,794	6,624,928	6,407,043	8,744,128	8,975,660	9,058,623
	After Distribution	5,978,446	6,115,015	6,099,574	8,362,587	8,528,432 (note6)	Not applicable

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the Enterprise accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: Where an asset revaluation is conducted in the current year, the date of conduct and the revaluation amount shall be listed.

Note 3: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 4: The above-stated figures after distribution shall be entered in on basis of resolutions in board of directors or shareholders' meeting in the following year.

Note 5: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Note 6: 2022 earnings distribution proposal has not yet passed the resolution of the shareholders' meeting.

Condensed Consolidated Balance Sheets (parent company-only financial report)

Unit: NTD Thousands

<div>Year</div> <div>Items</div>		Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current Asset		5,200,329	4,742,042	4,737,344	6,367,081	7,458,679
Property, Plant and Equipment (Note 2)		8,241,576	9,891,452	10,476,818	11,569,887	12,434,251
Intangible Assets		13,099	13,169	7,034	6,142	7,402
Other Assets (Note 2)		1,537,848	1,764,865	1,781,394	1,551,179	1,378,405
Total Asset		14,992,852	16,411,528	17,002,590	19,494,289	21,278,737
Current Liability	Before Distribution	3,956,019	4,531,930	5,872,193	5,839,637	5,608,375
	After Distribution	4,848,367	5,041,843	6,179,662	6,221,178	6,055,603 (note6)
Non-Current Liability		4,220,218	5,311,022	4,777,839	5,031,547	6,820,696
Total Liability	Before Distribution	8,176,237	9,842,952	10,650,032	10,871,184	12,429,071
	After Distribution	9,068,585	10,352,865	10,957,501	11,252,725	12,876,299 (note6)
Equity Attributable to Owners of the Parent		6,816,615	6,568,576	6,352,558	8,623,105	8,849,666
Stock Capital		2,549,565	2,549,565	2,545,175	2,795,175	2,795,175
Capital Surplus		1,916,204	1,916,204	1,906,479	3,833,804	3,833,804
Retained Earnings	Before Distribution	2,374,695	2,151,043	1,936,020	2,054,480	2,315,845
	After Distribution	1,482,347	1,641,130	1,701,225	1,672,939	1,868,617 (note6)
Other Equities		(23,849)	(48,236)	(35,116)	(60,354)	(95,158)
Treasury Shares		0	0	0	0	0
Non-Controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	6,816,615	6,568,576	6,352,558	8,623,105	8,849,666
	After Distribution	5,924,267	6,058,663	6,045,089	8,241,564	8,402,438 (note6)

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the Enterprise accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: Where an asset revaluation is conducted in the current year, the date conducted, and the revaluation amount shall be listed.

Note 3: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 4: The above-stated figures after distribution shall be entered in on basis of resolutions in board of directors or shareholders' meeting in the following year.

Note 5: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Note 6: 2022 earnings distribution proposal has not yet passed the resolution of the shareholders' meeting.

# Condensed Comprehensive Income Statement

Unit: NTD Thousands

Year Items	Financial information for the most recent five years (Note 1)					Current Year Financial information as of March 31, 2023 (Note 2)
	2018	2019	2020	2021	2022	
Operating Revenue	7,153,036	5,968,347	5,211,042	6,686,364	7,339,165	1,713,514
Operating Margin	2,252,917	1,672,360	1,172,818	1,681,663	1,695,561	331,308
Operating Income	1,335,901	818,529	396,611	451,632	538,936	145,876
Non-Operating Income and Expenses	83,852	(73,610)	(72,563)	(47,832)	229,562	(41,119)
Net Profit before Tax	1,419,753	744,919	324,048	403,800	768,498	104,757
Current Net Profit from Continuing Operations	1,240,411	653,049	285,560	340,643	629,073	83,142
Loss from Discontinuing Operation	0	0	0	0	0	0
Current Net Profit (Loss)	1,240,411	653,049	285,560	340,643	629,073	83,142
Current Other Comprehensive Income (Net After Tax)	(50,772)	(7,489)	22,448	(14,089)	-16,000	(179)
Current Total of Comprehensive Income	1,189,639	645,560	308,008	326,554	613,073	82,963
Net Profit Attributable to Owners of the Parent	1,236,915	649,123	286,094	341,823	623,958	82,608
Net Profit Attributable to Non-Controlling Interest	3,496	3,926	(534)	(1,180)	5,115	534
Total of Comprehensive Income Attributable to Owners of the Parent	1,186,277	641,989	308,010	328,016	608,102	82,402
Total of Comprehensive Income Attributable to Non-Controlling Interest	3,362	3,571	(2)	(1,462)	4,971	561
EPS	4.85	2.55	1.12	1.23	2.23	0.3

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 3: Loss from Discontinuing Operation shall be listed in net value after deduction of income taxes.

Note 4: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

**Condensed Comprehensive Income Statement (parent company-only financial report)**

Unit: NTD Thousands

Year Items	Financial information for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating Revenue	6,908,813	5,683,259	4,787,240	6,230,770	6,898,232
Operating Margin	2,164,839	1,610,980	1,119,271	1,605,106	1,585,130
Operating Income	1,332,350	846,892	455,877	535,868	540,492
Non-Operating Income and Expenses	55,634	(116,924)	(138,208)	(134,867)	222,590
Net Profit before Tax	1,387,984	729,968	317,669	401,001	763,082
Current Net Profit from Continuing Operations	1,236,915	649,123	286,094	341,823	623,958
Loss from Discontinuing Operation	0	0	0	0	0
Current Net Profit (Loss)	1,236,915	649,123	286,094	341,823	623,958
Current Other Comprehensive Income (Net After Tax)	(50,639)	(7,134)	21,916	(13,807)	-15,856
Current Total of Comprehensive Income	1,186,276	641,989	308,010	328,016	608,102
Net Profit Attributable to Owners of the Parent	0	0	0	0	0
Net Profit Attributable to Non-Controlling Interest	0	0	0	0	0
Total of Comprehensive Income Attributable to Owners of the Parent	0	0	0	0	0
Total of Comprehensive Income Attributable to Non-Controlling Interest	0	0	0	0	0
EPS	4.85	2.55	1.12	1.23	2.23

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2)..

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 3: Loss from Discontinuing Operation shall be listed in net value after deduction of income taxes.

Note 4: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

**2. Name of CPAs and Audit Opinions for the 5 Most Recent Fiscal Years**

**(1) Name of CPAs and Audit Opinions for the 5 Most Recent Fiscal Years**

Attesting Year	Accounting firms	Name of CPAs	Auditor's opinions	Remarks
2018	PwC Taiwan	Hsu, Chien-Yehh, Hung, Shu-Hua	No qualified opinion (Emphasis of Matter or Other Matters)	-
2019	PwC Taiwan	Hsu, Chien-Yehh, Hung, Shu-Hua	No qualified opinion (Emphasis of Matter or Other Matters)	-
2020	PwC Taiwan	Wu, Sung-Yun, Hsu, Chien-Yehh	No qualified opinion (Emphasis of Matter or Other Matters)	-
2021	PwC Taiwan	Wu, Sung-Yun, Hsu, Chien-Yehh	No qualified opinion (Emphasis of Matter or Other Matters)	-
2022	PwC Taiwan	Wu, Sung-Yun, Hsu, Chien-Yehh	No qualified opinion (Emphasis of Matter or Other Matters)	-

(2) If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the company's previous and current CPA over the causes for such change/replacement shall be set forth:

In cooperation with internal organic needs of PricewaterhouseCoopers Taiwan, the CPA for attesting is adjusted.

(3) The information describing the reasons for having the financial statements in consecutive 5 most recent fiscal years audited and attested by the same CPAs from the Company's public offer: not applicable.

## (II) Financial Analysis of the Most Recent Five Years

### Financial analysis

Year (Note 1) Analysis Items (Note 3)		Financial analysis of the most recent five years					Financial information for the year ended March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Ratio of Liabilities to Assets	55.89	61.38	65.09	58.57	60.85	60.10
	Ratio of Long-Term Capital to Property, Plant and Equipment	126.55	115.36	103.33	112.58	117.47	117.28
Debt Service Ability %	Current Ratio	129.37	106.19	84.18	107.58	121.67	120.67
	Quick Ratio	88.56	67.30	54.64	62.18	70.59	65.75
	Interest Coverage Folds	23.47	8.42	3.46	4.45	6.24	2.99
Operating Ability	Account Receivables' Turnover Rate (Times)	3.84	2.75	2.28	2.66	2.55	2.38
	Average Days for Cash Receipts	95.05	132.72	160.08	137.21	143.13	153
	Inventory's Turnover Rate (Times)	2.75	2.26	2.03	1.94	1.68	1.52
	Payables Turnover Rate (Times)	3.61	3.94	4.28	3.30	3.27	4.07
	Average Days for Sale of Goods	132.73	161.50	179.80	188.14	217.26	240
	Turnover Rate for Property, Plant and Equipment (Times)	0.84	0.61	0.47	0.55	0.55	0.50
	Total Assets' Turnover Rate (Times)	0.48	0.36	0.29	0.34	0.33	0.30
Profitability	Assets Return Ratio (%)	8.66	4.43	2.10	2.09	3.31	2.08
	Equity Return Ratio (%)	18.39	9.68	4.38	4.50	7.1	3.69
	Ratio to Paid-In Capital (%)	Operating Income	52.40	32.10	15.58	16.16	19.28
		Pre-Tax Income	55.69	29.22	12.73	14.45	27.49
	Net Profit Ratio (%)	17.34	10.94	5.48	5.09	8.57	4.85
	EPS(NTD)	4.85	2.55	1.12	1.23	2.23	0.30
Cash Flow	Cash Flow Ratio(%)	26.72	6.44	17.05	7.66	0	0.47
	Cash Flow Sufficiency Ratio(%)	50.83	36.70	36.39	25.97	24.62	28.24
	Cash Re-investment Rate(%)	1.37	(3.80)	3.83	1.16	(1.88)	0.15
Leverage	Operational Leverage	2.14	2.90	4.73	4.31	3.88	3.94
	Financial Leverage	1.05	1.12	1.38	1.25	1.3	1.44

Please describe the reason for variations to various financial ratios in the 2 Most Recent Fiscal Years. (Where the variation by increase or decrease is not over 20% may be exempted from analysis)

1. Times interest earned: Mainly increase in the operating revenue and non-operating revenue.
2. Profitability: The operating income increased in the current period compared with the previous period due to the exchange rate increased.
3. Cash flow: The net cash flow increased due to the increase in inventory provision in the current period compared with the previous period.

\* In case a company prepares Parent-Only Financial Statement, the Company's Parent-Only financial ratio analysis shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2)..

Note 1: Note Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company with stocks traded at securities exchange has the financial information in the most current period as audited and attested or reviewed by CPAs up to the date of publication of this Annual Report, such information shall be analyzed.

### Financial analysis (parent company-only financial report)

Analysis Items (Note 3)		Year(Note 1)	Financial analysis of the most recent five years				
			2018	2019	2020	2021	2022
Financial Structure	Ratio of Liabilities to Assets		54.53	59.98	62.64	55.77	58.41
	Ratio of Long-Term Capital to Property, Plant and Equipment		133.92	120.10	106.24	118.02	126.03
Debt Service Ability	Current Ratio		131.45	104.64	80.67	109.03	132.99
	Quick Ratio		90.61	66.57	52.13	63.11	80.3
	Interest Coverage Folds		26.26	9.00	3.70	4.93	6.85
Operating Ability	Account Receivables' Turnover Rate(Times)		3.95	2.73	2.24	2.69	2.50
	Average Days for Cash Receipts		92.41	134	163	136	146
	Inventory's Turnover Rate (Times)		2.90	2.35	2.07	2.05	1.82
	Payables Turnover Rate (Times)		3.59	3.92	4.39	3.37	3.3
	Average Days for Sale of Goods		125.86	155	176	178	201
	Turnover Rate for Property, Plant and Equipment (Times)		0.88	0.63	0.47	0.57	0.57
	Total Assets' Turnover Rate (Times)		0.48	0.36	0.29	0.34	0.34
Profitability	Assets Return Ratio (%)		8.97	4.55	2.17	2.21	3.49
	Equity Return Ratio (%)		18.48	9.70	4.43	4.57	7.14
	Ratio to Paid-In Capital (%)	Operating Income	52.26	33.22	17.91	19.34	19.34
		Pre-Tax Income	54.44	28.63	12.48	27.30	27.3
	Net Profit Ratio (%)		17.90	11.42	5.98	5.49	9.05
	EPS (NTD)		4.85	2.55	1.12	1.23	2.23
Cash Flow	Cash Flow Ratio (%)		23.91	6.35	23.26	10.42	0
	Cash Flow Sufficiency Ratio (%)		51.87	38.95	43.57	37.90	24.93
	Cash Re-investment Rate (%)		(0.08)	(4.11)	5.98	1.75	(3.13)
Financial Structure	Operational Leverage		1.97	2.55	3.73	3.27	3.54
	Financial Leverage		1.04	1.11	1.26	1.16	1.25
Please describe the reason for variations to various financial ratios in the 2 Most Recent Fiscal Years. (Where the variation by increase or decrease is not over 20% may be exempted from analysis)							
1. Times interest earned: Mainly increase in the operating revenue and non-operating revenue.							
2. Profitability: The operating income increased in the current period compared with the previous period due to the exchange rate increased.							
3. Cash flow: The net cash flow increased due to the increase in inventory provision in the current period compared with the previous period.							

Note 1: Note Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company with stocks traded at securities exchange has the financial information in the most current period as audited and attested or reviewed by CPAs up to the date of publication of this Annual Report, such information shall be analyzed.

Note 3: Following calculation formula shall be listed at end of main tables of the annual report:

1. Financial Structure

(1) Ratio of Liabilities to Assets=Total Liability/Total Asset.

(2) Ratio of Long-Term Capital to Property, Plant and Equipment=(Total Equity + Non-Current Liability)/Net of Property, Plant and Equipment.

2. Debt Service Ability

(1) Current Ratio=Current Asset/Current Liability.

(2) Quick Ratio=(Current Asset-Inventory-Prepaid Expense)/Current Liability.

(3) Interest Coverage Folds=Net Profit Before Income Tax and Interest Expense/Current Interest Expenditure.

3. Operating Ability

(1) Accounts Receivable (incl. accounts receivable and notes receivable incurred by operating activities)Turnover= Net Sales/Average Accounts Receivable for each period.

(incl. accounts receivable and notes receivable incurred by operating activities) Balance.

- (2) Average Days for Cash Receipts=365/Account Receivables' Turnover Rate.
- (3) Inventory's Turnover Rate=Cost of Goods Sold/Average Inventory.
- (4) Accounts Payable(incl. accounts payable and notes payable incurred by operating activities)Turnover= Cost of Goods Sold/Average Accounts Payable for each period
- (5) (incl. accounts payable and notes payable incurred by operating activities) balance.
- (6) Average Days for Sale of Goods=365/Inventory's Turnover Rate.
- (7) Turnover Rate for Property, Plant and Equipment=Net Sales/Net Average for Property, Plant and Equipment.
- (8) Total Assets' Turnover Rate=Net Sales/Average Total Asset.

4. Profitability

- (1) Assets Return Ratio=[Post-Tax Profit or Loss + Interest Expense×(1-Tax Rate)]/ Average Total Asset.
- (2) Equity Return Ratio=Post-Tax Profit or Loss/Average Total Equity.
- (3) Net Profit Ratio=Post-Tax Profit or Loss/Net Sales.
- (4) EPS=(Income Attributable to Owners of the Parent -Preferred Shares Dividend)/Weighted Average of Issued Number of Shares.(Note4)

5. Cash Flow

- (1) Cash Flow Ratio=Net Cash Flow from Operating Activities/Current Liability.
- (2) Net Cash Flow Sufficiency Ratio=Net Cash Flow from Operating Activities in the Most Recent 5 Fiscal Years/ (Capital Expenditure + Increase in Inventory + Cash Dividend) in the Most Recent 5 Fiscal Years.
- (3) Cash Re-investment Rate=(Net Cash Flow from Operating Activities-Cash Dividend)/(Gross of Property, Plant and Equipment + Long-Term Assets + Other Non-Current Assets + Operation Fund).(Note5)

6. Leverage:

- (1) Operational Leverage=(Net Operating Revenue-Variable Operating Cost and Expense) / Operating Income(Note6).
- (2) Financial Leverage=Operating Income / (Operating Income-Interest Expense).

Note 4: The following matters shall be noticed when measuring aforesaid EPS calculations:

1. Weighted Average Number of Common Shares shall be the basis instead of Number of Shares issued at the end of the year.
2. In case there is cash capital increase or trading of treasury shares, the calculation periods shall be taken into consideration when calculating Weighted Average Number of Shares.
3. In case there is capital increase from Earning Transferred to Capital or Capital Surplus, a retroactive adjustment based on capital increase proportion shall be made upon calculation of EPS in previous years and halves of the year without consideration of the issuance period for such capital increase.
4. In case a preferred share is a cumulative preferred share not convertible, the dividend of the year (regardless of distribution status) shall be deducted from net profit after tax, or shall be added with net loss after tax. In case a preferred share is non-cumulative, where there is net profit after, tax, the dividend of preferred shares shall be deducted from the net profit after tax; where there is a loss, such adjustment may be exempted.

Note 5: The following matters shall be noticed when measuring the Cash Flow Analysis:

1. Net Cash Flow from Operating Activities refers to net cash inflow from operating activities in the table of Cash Flow .
2. Capital Expenditure refers to amount of cash payments for each year's capital investments.
3. The amount of inventory increase shall be recognized where the ending balance is greater than beginning balance; in case of decrease in inventory, such amount shall be zero.
4. Cash Dividend includes Cash Dividend from Common Shares and Preferred Shares.
5. Gross of Property, Plant and Equipment refers to total amount of Property, Plant and Equipment before deduction of accumulated depreciation.

Note 6: The issuer shall divide various operating costs and operating expenses into fixed and variable based on characteristics; where estimates or subjective judgements are involved, the reasonableness of such behavior and consistency shall be noticed.

Note 7: Where a company's stock is of non-par-value or the face value is not NTD 10, for the aforementioned calculations concerning Ratio to Paid-In Capital, Ratio of Equity Attributable to Owners of the Parent in the Balance Sheet shall be in place.



**(III) Audit Committee's Report on Financial Statements for the Most Recent Fiscal Year**

**Audit Committee's Review Report**

The board of directors has prepared and submitted the Company's Business Report, Financial Statements, and Proposal for Earnings Distribution of the Company for the year 2021. PwC Taiwan has also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements, and Proposal for Earnings Distribution of the Company for the year 2021 have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to the Securities and Exchange Act and the Company Act, we hereby submit the report for ratification.

Hota Industrial MFG. Co., Ltd.

Convener of the Audit Committee: Zheng, Wen-zheng

March 16, 2022

**(IV) Financial Statements in the most recent Fiscal year**

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

(Consolidated financial statements)

Hota Industrial Manufacturing Company Limited  
REPRESENTATION LETTER

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

Very truly yours,

Company : Hota Industrial Manufacturing Company Limited

Chairman : SHEN, GUO-RONG

March 16, 2023

## Independent Auditor's Report

(112) Ministry of Finance approved No.22004926

The Board of Directors and Shareholders  
Hota Industrial Manufacturing Company Limited

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

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

#### Notes

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

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

#### Corresponding verification procedures

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

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

### **Inventory allowance falling price and sluggish loss evaluation**

#### Notes

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

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

### Corresponding verification procedures

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

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

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

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

### **Other matters – individual financial reports**

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

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

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Wu, Song-yuan

CPA

Xu, Jian-ye

Financial Supervisory Commission

Approved-certified No.:

Financial-Supervisory-Securities-Auditing-1090350620

Financial-Supervisory-Securities-Auditing-1050035683

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Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2022 and 2021 December 31

(In Thousands of New Taiwan Dollars)

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

(continue in next page)



Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2022 and 2021 December 31

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

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

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

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

(continue in next page)

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

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

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

(In Thousands of New Taiwan Dollars)

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

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

(In Thousands of New Taiwan Dollars)

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

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

(In Thousands of New Taiwan Dollars)

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

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

Chairman : Shen, Guo-rong

Manager : Chen, Jun-zhi

Chief accountant : Chen, Chang-yuan

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

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

一、History of the Company

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

二、Approval date and procedures of the financial statements

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

三、Application of newly issued and revised standards and interpretations

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

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

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

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

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

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

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

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

January 1, 2023

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

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

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

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

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

四、Summary of significant accounting policies

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

(四) Statement of compliance

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

(五) Basis for preparation

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



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

(六) Basis of consolidation

1. The basis for the consolidated financial statements

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

2. The subsidiaries in the consolidated financial statements:

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

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

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

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

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

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

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

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

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

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

5. Significant limitations: None.

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

(七) Foreign currency translations

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

1. Foreign currency transaction & balance

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

2. Conversion of foreign operations

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

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

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

1. Assets that meet 1 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 Group classifies those not meeting above conditions to be non-current assets.
2. Liabilities that meet 1 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 Group classifies those not meeting above conditions to be non-current liabilities.

(九) Cash equivalents

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

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

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

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

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

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

( + 二 ) Financial assets at amortized cost

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

( + 三 ) Accounts and notes receivable

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

( + 四 ) Financial asset impairment

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

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

( 十 五 ) Derecognition of financial assets

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

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

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

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

( 十 七 ) Inventory

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

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

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

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

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

(十九) Property, plant and equipment

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

Estimated useful lives of assets are listed below:

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

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

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

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

(二十一) Investment properties

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

(二十二) Intangible assets

1. Computer software

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

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

(二十三) Impairment of non-financial assets

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

(二十四) Loan

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

(二十五) Accounts and notes payable

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



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

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

(二十六) Derecognition of financial liabilities

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

(二十七) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

- (1) Defined contribution plans

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

- (2) Defined benefit plans

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

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

3. Remuneration to employees, directors and supervisors

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

(二十八) Share-based payment

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

(二十九) Income tax

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

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

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

#### (三十) Shares

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

#### (三十一) Dividend distribution

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

#### (三十二) Revenue recognition

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

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

(三十三) Government grant

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

(三十四) Operating departments

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

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

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

(1) Major accounting estimates and assumptions

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

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

## 六、Explanation of important accounting subjects

### (一) Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets measured at fair value through other comprehensive income		
Fair value	<u>\$ 148,775</u>	<u>\$ 186,312</u>
2. The Group sold the equity investments at fair value of \$29,077 thousand and \$3,359 thousand in the year of 2022 and 2021, respectively, and the cumulative gains on disposal of investments were \$5,528 thousand and \$6,271 thousand, respectively.		
3. Financial assets measured at fair value through other comprehensive income recognized in statements of profit or loss and comprehensive income are listed below:		

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

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

(四) Financial assets at amortized cost

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

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

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

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

(五) Notes and accounts receivable

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

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

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

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

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

#### (六) Transfer of financial assets

Delist all financial assets transferred

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

December 31, 2022

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

December 31, 2021

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

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

(七) Inventories

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

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

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

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

(八) Investments accounted for using equity method

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

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

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

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

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

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

Investment income (loss)



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

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

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

(九) Property, plant and equipment

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

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

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

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

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

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

(+) Lease transaction as a Lessee

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

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

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

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

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

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

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

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

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

( + - ) Lease transaction as a Lessor

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

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

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

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

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

(十二) Investment properties

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

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

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

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

(十三) Other non-current assets

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

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

(十四) Short-term borrowings

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

(十五) Short-term notes and bills payable

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

(十六) Other payables

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

(十七) Long-term loans

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

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

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



\$2,140,000 thousand.

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

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

(十八) Government grant

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

(十九) Pension

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## (二十) Share capital

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

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

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

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

(二十一) Capital surplus

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

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

Changes in capital reserve are as follows:

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

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

Capital reserve to  
distribute

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

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

(二十二) Retained earnings

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

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

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

(二十三) Other equity

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

(二十四) Operating revenue

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

1. Disaggregation of revenue from contracts with customers

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

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

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

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

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

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

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



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

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

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

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

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

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

#### (二十五) Interest income

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

#### (二十六) Other income

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

(二十七) Other gains and losses

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

(二十八) Financial costs

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

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

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

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

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

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

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

The aforementioned amounts were recognized in salary expenses.

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

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

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

### (三十) Income tax

#### 1. Income tax expense

##### (1) Components of income tax expense:

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

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

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

2. Reconciliation between income tax expense and accounting profit:

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

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

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

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

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

4. Deductible temporary difference of unrecognized deferred tax assets

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

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

(三十一) Earnings per share

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

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

2021

	Amount after tax	Weighted average number of ordinary shares outstanding (in thousands)	Earnings per share (NTD)
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Basic earnings per share

Profit attributable to ordinary shareholders of the parent	<u>\$ 341,823</u>	<u>277,326</u>	<u>\$ 1.23</u>
------------------------------------------------------------	-------------------	----------------	----------------

Diluted earnings per share

Profit attributable to ordinary shareholders of the parent	341,823	277,326	
Assumed conversion of all dilutive			

Employees' compensation	<u>-</u>	<u>106</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 341,823</u>	<u>277,432</u>	<u>\$ 1.23</u>

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

(三十二) Supplemental cash flow information

1. Investing activities with partial cash payments:

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

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

(三十三) Changes in liabilities from financing activities

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

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

七、Related-party transactions

(一) Names of related parties and relationship

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

(二) Significant related party transactions

1. Operating revenue

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

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

2. Purchase

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

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

3. Manufacturing overhead-processing cost

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

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

4. Rent income

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

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

5. Rental expense

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

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

6. Receivables from related parties

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



7. Payables to related parties

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

8. Other non-current assets

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

9. Property transaction

(1) Purchase of property

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

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

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

(三) Key management compensation

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

八、Assets pledged as collaterals

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

九、Commitments and contingencies

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

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

2. Capital expenditure on contract signed but not occurred yet

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

3. The subsidiary of the Company, HOWON POWERTRAIN CO., LTD., signed development incentive agreement with Jiangsu Province Huai'an Economic Development Zone Administration, and obtained land use right subsidy of NT\$38,369,000 (RMB 7,919,000), which was recognized in other non-current liabilities and will be recognized in revenue year by year according to the land use right of 50 years (from 2016 to 2065). The information is as follows:

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

十、Losses due to major disasters

None.

十一、Significant subsequent events

None.

## 十二、Others

### (一) Capital management

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

The Group monitors working capital through regularly reviewing the ratio of liabilities to assets. The ratio of liabilities to assets of the Group for the years ended December 31, 2022 and 2021, is as follows:

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

### (二) Financial instruments

#### 1. Financial instruments by category

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

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

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

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

## 2. Financial risk management policies

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

## 3. Significant financial risks and degrees of financial risks

### (1) Market risk

#### Foreign exchange risk

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

(BLANK BELOW)

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

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

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

Price risk

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

Cash flow and fair value interest risk

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

(2) Credit risk

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

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

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

December 31, 2022

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



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

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

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

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

(3) Liquidity risk

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

December 31, 2022

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

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

(三) Fair value information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 十三、Other disclosure

#### (一) Significant transactions information

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

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

(二) Information on investees

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

(三) Information on investments in Mainland China

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

(四) Major shareholders information

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

十四、Segments information

(一) General information

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

(二) Measurement of segment information

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

(三) Information about segment income, assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(五) Information on products and services

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

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

(六) Geographical information

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

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

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

(七) Major customer information

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

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

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

Table 1

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

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

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

(1) The Company is '0'.

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

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

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

Note 4: (1) For business transactions.

(2) For short-term financing.

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

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



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

Table 2

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

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

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

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

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

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

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

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

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

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

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

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

Table 3

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

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

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

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

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

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

Hota Industrial Manufacturing Company Limited and Subsidiaries  
Significant inter-company transactions during the reporting period (transactions amount reaching NT\$10 million or more)  
For the year ended December 31, 2022

Table 4

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

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

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

Table 5

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

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

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

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

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

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

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

Table 6

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

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

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

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

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

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

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

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

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

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

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

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

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

**(V) Parent-company-only financial statements for the most recent fiscal year**

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

**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>

(continue in next page)

Hota Industrial Manufacturing Company Limited

Individual Balance Sheet

2022 and 2021 December 31

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY			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)

Item	Note	2022		2021	
		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

(continue in next page)

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	2022			2021										
		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					
9850	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)

		Retained earnings					Other equity		
	Note	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	Total equity
<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)

一、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).

二、Approval date and procedures of the financial statements

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

三、Application of newly issued and revised standards and interpretations

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

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

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

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

(二)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.

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

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

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

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

四、Summary of significant accounting policies

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

(一) 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”.

(二) 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.

(三) 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.

( 四 ) 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.

(五) 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.

(六) 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.

(七) 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.

(八) 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.
- (九) 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.
- (十) 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.
- (十一) 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.
- (十二) Lease transaction as a lessor, lease account receivable / operating lease
- Rent income from operating lease excluding any incentive given to the lessee, is recognized on a straight-line basis over the term of the lease.
- (十三) Inventory
- Inventories are recognized at the lower of cost or net realizable value where cost is calculated by the weighted average method. The costs of finish goods and work-in-process include raw material, direct labor, other direct costs, and manufacturing cost related to production apportioned according to normal

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

(十四) 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.

(十五) 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

(十六) 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.

(十七) Investment properties

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

(十八) 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.

(十九) 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.

(二十) 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.

(二十一) 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.

(二十二) Derecognition of financial liabilities

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

(二十三) 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.

(二十四) Share-based payment

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

(二十五) 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.

#### (二十六) 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.

#### (二十七) 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.

#### (二十八) 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.

#### (二十九) 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.

### 五、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:

(一) 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.

六、Explanation of important accounting subjects

(一) 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.

(二) 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	<u>\$ 101,919</u>	<u>\$ 132,534</u>

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	<u>(\$ 6,057)</u>	<u>(\$ 6,853)</u>
Dividend revenue recognized in profit or loss		
Holding as of December 31, 2022	<u>\$ 2,441</u>	<u>\$ 2,941</u>

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.

(三) 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	<u>835</u>	<u>1,499</u>
	<u>\$ 155,930</u>	<u>\$ 2,121</u>

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		
	<u>\$ 155,930</u>	<u>\$ 2,121</u>

2. The Company provides time deposits as pledge guarantees, please refer to Note 8 for details.
- (四) 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).

(五) 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.

(六) 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

(七) 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.

(八) 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>

( 九 ) 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.

(+) 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>

(十一) 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.

(十二) 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>

(十三) 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>		

(十 四) 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>		

(十 五) 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>

(十 六) Long-term loans

<u>Type of loan</u>	<u>Loan period and repayment</u>	<u>Interest rate range</u>	<u>Collaterals</u>	<u>December 31, 2022</u>
Syndicated secured loans-Land Bank	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.96%~2.01%	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	Collaterals	December 31, 2021
Syndicated secured loans-	Repayment in installments, every 6 months from March 24, 2024 to March 24, 2026.	1.79%	Plant, office buildings and Machinery equipment	\$ 850,000
E.Sun Bank				
Secured loan	Sequentially due by May 30, 2039 (repayment in installments).	0.00%~1.34 %	Land, buildings and machinery equipment	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.

(十七) 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.

(十八) 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 (income)	1,157	(736)	421
	177,600	(112,279)	65,321
Remeasurement:			
Planned asset earning (excluding money in interest income or expenses)	-	(8,626)	(8,626)
Effects of changes in demographic assumptions	1	-	1
Effects of changes in financial assumptions	(5,872)	-	(5,872)
Effects of plan reduction	-	-	-
Adjustment by experience	(495)	-	(495)
	(6,366)	(8,626)	(14,992)
Provision to the pension fund	-	(2,417)	(2,417)
Pension payment	(5,935)	5,935	-
Balance at December 31	\$ 165,299	(\$ 117,387)	\$ 47,912



	<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.

#### (十九) 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.

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

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

(二十一) 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>2021</u>	
<u>Amount</u>	<u>Dividends per share(in</u>	<u>Amount</u>	<u>Dividends per share (in</u>
	<u>dollars)</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.

## (二十二) 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
	<u>Exchange differences arising on translation of foreign operations</u>		<u>income</u>	<u>income</u>	
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
	<u>Exchange differences arising on translation of foreign operations</u>		<u>income</u>	<u>income</u>	
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)				

(二十三) 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.

(二十四) 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
	<u>\$ 2,345</u>	<u>\$ 482</u>

(二十五) Other income

	<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>

(二十六) Other gains and losses

	<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>

(二十七) Financial costs

	<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>

(二十八) Expenses by nature

	<u>2022</u>			<u>2021</u>		
	Operating Costs	Operating Expenses	<u>Total</u>	Operating Costs	Operating Expenses	<u>Total</u>
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

(二十九) 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.

(三+) 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.

(三十一) Earnings per share

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

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.

(三十二) 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>

(三十三) Changes in liabilities from financing activities

<u>2022</u>							
	<u>Short-term</u>	<u>Short-term</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>	
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	
Additions	-	-	-	-	81,541	381,541	
Changes in other non-cash activities	-	-	12,677	-	-	12,677	
Impact of changes in foreign exchange rate	5,153	-	-	-	-	5,153	
December 31	\$ 1,747,359	\$ 1,060,000	\$258,021	\$7,070,205	\$ -	\$10,135,585	

<u>2021</u>							
	<u>Short-term</u>	<u>Short-term</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>	
January 1	\$ 1,850,370	\$ 600,000	\$260,664	\$ 6,389,028	\$ -	\$ 9,100,062	
Changes in cash flow from financing activities	(898,390)	660,000	(12,169)	(863,112)	(307,469)	(1,421,140)	
Additions	-	-	-	-	307,469	307,469	
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	

七、Related-party transactions

(一) 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 (Whaia) 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

(二) 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	<u>5,258</u>	<u>286</u>
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	<u>83,767</u>	<u>91,011</u>
	<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.

(三) 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>

## 八、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>	

## 九、Commitments and contingencies

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw material 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>

## 十、Losses due to major disasters

None.

## 十一、Significant subsequent events

None.

## 十二、Other

### (一)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%



(二) Financial instruments

1. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets measured at fair value through 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>variation</u>	<u>profit or loss</u>	<u>comprehensive income</u>
		(NTD)				
<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>financial liabilities:</u>						
	<u>3 months</u>	<u>and 1 year</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>More</u>	<u>Total</u>
			<u>years</u>	<u>years</u>	<u>than</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>financial liabilities:</u>						
	<u>3 months</u>	<u>and 1 year</u>	<u>1 to 2</u>	<u>2 to 5</u>	<u>More than</u>	<u>Total</u>
			<u>years</u>	<u>years</u>	<u>5 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

(三) Fair value information

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

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

sufficient frequency and volume to provide pricing information on an ongoing basis. All of the 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>Inputs</u>	<u>Changes</u>	<u>change</u>	<u>change</u>
Financial assets	Market price price- ±1% book ratio				
Equity instruments		\$ -	\$ -	\$ 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>Inputs</u>	<u>Changes</u>	<u>change</u>	<u>change</u>
Financial assets	Market price price- ±1% book ratio				
Equity instruments		\$ -	\$ -	\$ 543	(\$ 543)

### 十三、Other disclosure

#### (一) 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.

#### (二) Information on investees

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

#### (三) Information on investments in Mainland China

1. 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.

#### (四) 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 variuos 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, andwholesale of hardware parts and metalparts	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 evaluatedby equity method(Note 3)
Hota Industrial Manufacturing Company Limited	TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Taiwan	Removal, storage and treatment ofgeneral and hazardous industrial waste.	12,500	12,500	375,000	25.00	-	-	-	Invested company evaluatedby 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 evaluatedby 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 evaluatedby 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 evaluatedby 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 evaluatedby 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 Hozuan investment Company Limited.

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

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

Hota Industrial Manufacturing Company Limited  
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	
		<u>363,975</u>
		<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		
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholdin g ratio		Unit price	Total price	Collateralize d or pledged
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.	-	-	500	5,000		( 7 )	-	100%	4,993	9.99	4,993	None
KAO FONG MACHINERY CO., LTD.	839	14,998	-	-		( 866 )	839	0.78%	14,132	16.84	14,132	None
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	375	3,736	-	-		-	375	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 Issue amount	Unamortized discount on short-term bills payable	Book value	Remarks
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	
				<u>\$ 1,060,000</u>	<u>\$ -</u>	<u>\$ 1,060,000</u>	



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 & 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 & 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			( 141,168 )	
			<u><u>6,898,232</u></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		<u>933,365</u>	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”.

**(VI) Whether there is Financial Difficulties by Insufficient Cash Flow in the Company and Its Related Companies in the Most Recent Year and up to the Date of Publication: No such occurrence in the Company.**

**VII. Review and Analysis of Financial Condition and Financial Performance and Risks**  
**(I) Financial Position**

Unit: NTD Thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Liquid Assets	8,229,141	7,243,670	985,471	14
Long-Term Investments	363,911	378,109	(14,198)	(4)
Property, Plant and Equipment	13,759,127	12,765,015	994,112	8
Other Assets	574,132	716,825	(142,693)	(20)
Total Assets	22,926,311	21,103,619	1,822,692	9
Liquid Liabilities	6,763,659	6,733,378	30,281	0
Non-Liquid Liabilities	7,186,992	5,626,113	1,560,879	28
Total Liabilities	13,950,651	12,359,491	1,591,160	13
Stock Capital	2,795,175	2,795,175	0	0
Capital Surplus	3,833,804	3,833,804	0	0
Retained Earnings	2,315,845	2,054,480	261,365	13
Other Equities	(95,158)	(60,354)	(34,804)	58
Equity Attributable to Owners of the Parent	8,849,666	8,623,105	226,561	3
Non-Controlling Interests	125,994	121,023	4,971	4
Total Shareholders' Equity	8,975,660	8,744,128	231,532	3
<p>Note: Where there is a change with increase/decrease at more than 20% and the amount of such change is more than NTD 10,000,000 shall be analyzed as follows.</p> <p>Other assets: The prepayment for lands and equipment is successively transferred to fixed assets.</p> <p>Non-current liabilities: Mainly due to the increase in long-term borrowings.</p> <p>Other equity interest: Increase in Unrealized Losses on FVTOCI Financial Assets</p>				

**(II) Financial Performance**

Unit: NTD Thousands

Item \ Year	2022	2021	Increase (Decrease) Amount	Change Proportion (%)
Operating Revenue	7,339,165	6,686,364	652,801	10
Operating Cost	(5,643,604)	(5,004,701)	638,903	13
Operating Margin	1,695,561	1,681,663	13,898	1
Operating Expense	(1,156,625)	(1,230,031)	(73,406)	6
Operating Profit	538,936	451,632	87,304	19
Non-Operating Income and Expense	229,562	(47,832)	277,394	580
Income before Tax	768,498	403,800	364,698	90
Income Tax Expense	(139,425)	(63,157)	76,268	121
Current Net Profit	629,073	340,643	288,430	85
Net Profit Attributable to Owners of the Parent	623,958	341,823	282,135	83
Net Profit Attributable to Non-Controlling Interests	5,115	(1,180)	6,295	533
Where the increase or decrease ratio reaches 20% or more, such increase/decrease shall be analyzed as follows: Non-operating income and expenses: Mainly due to the increase in profit on foreign exchange. Income before Tax 、 Income Tax Expense 、 Current Net Profit 、 Net Profit Attributable to Owners of the Parent 、 Net Profit Attributable to Non-Controlling Interests: Revenues grow, profits rise.				

**(III) Cash Flow**

## 1. Analysis on Liquidity of the Most Recent Fiscal Year

Item \ Year	2022	2021	Increase (Decrease) Proportion (%)
Cash Flow Ratio (%)	0	7.66	(100)
Cash Flow Sufficiency ratio (%)	24.62	25.97	(5.20)
Cash Re-Investment Rate (%)	-1.88	1.16	(262.07)

## 2. Cash Liquidity for the Coming Fiscal Year

Unit: NTD Thousands

Beginning Cash Balance (1)	Full-Year Net Cash Flow from the Operating Activities (2)	Estimated Full Year Net Cash Flow (3)	Estimated Amount in Cash Balance (Deficit) (1)+(2)-(3)	Redemptive Measures for Cash Insufficiency	
				Investment Plans	Financing Plans
1,072,452	1,080,000	1,100,000	1,052,452	—	—

Descriptions:

### (1) Cash Flow Variation in the Coming Fiscal Year (2023)

#### A. Operating Activities

It is estimated that the revenue and profit will continue to grow in 2023, furthermore increasing the net cash flow provided by operating activities.

#### B. Full-Year Cash Uses

- It is mainly that the No. 5 Plant in Chiayi will spend on additions of machinery and equipment and construction costs.
- Mainly used in distribution of cash dividend for shareholders and directors and employees' compensation. Mainly used in distribution of cash dividend for shareholders and directors and employees' compensation.

(2) Estimated Redemptive Measures in Event of Insufficient Cash and Fluidity Analysis: None.

## (IV) The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition:

### 1. Status of Use for Material Capital Expenditures and Source of Capital:

Unit: NTD Thousands

Plan Item	Actual or Estimated Capital Source	Estimated Date of Construction Completion	Total of Capital Required	Actual or Expected Status of Use for Capital		
				2022	2023	2024
New Construction Project of Chiayi No. 5 Plant	Equity Fund or Bank loan	2023	1,283,000	569,000	610,000	104,000

### 2. Expectations on Potential Benefits:

Plan Item	Estimates by Year	Operational Items	Production Volume	Sales Volume	Sales	Margin
New Construction Project of Chiayi No. 5 Plant	2023	Gears and Transmission Components	18,800	17,800	792,000	198,000
	2024		19,500	19,250	867,000	218,000
	2025		21,000	20,800	949,000	250,000

**(V) The Company's policy for the most recent fiscal year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming fiscal year**

Unit: NTD Thousands

Item \ Descriptions	Investment Amount	Policy	Main Reason for Profit (Loss)	Rectification Plan	Other Future Investment Plans
Wuxi Hota Precision Gear Co., Ltd.	178,118	Long-Term Investments	Reason for Loss: Low quantity of Orders	Subsidiary has been canceled	Depending on operation status
HOWON POWERTRAIN CO., LTD.	325,526	Long-Term Investments	Reason for Profit: Stable growth in orders	None	
HOWIN PRECISION CO., LTD.	41,450	Long-Term Investments	Reason for Profit: order increase.	None	
HOTATECH, INC.	173,638	Long-Term Investments	Reason for Loss: Decrease in orders	Increase in Orders and Enhancement in Competitiveness	
Ho-Zuan Investment Co., Ltd.	167,190	Long-Term Investments	Reason for Profit: investment profit	None	
Ju-Da Smart Technology Co., Ltd.	5,000	Long-Term Investments	Reason for Profit: interest income	None	
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	12,500	Long-Term Investments	None	Impairment Loss Recognized	
CAPTAIN HOLDING CO., LTD	326,073	Long-Term Investments	Reason for Profit: interest income	None	
Kao Fong Machinery Co., Ltd.	199,218	Long-Term Investments	Reason for Profit: Stable growth in orders	None	
TAKAWA SEIKI, INC.	3,607	Long-Term Investments	Reason for Loss: Decrease in orders	Increase in Orders and Enhancement in Competitiveness	
Ling-Wei Co., Ltd.	36,338	Long-Term Investments	Reason for Profit: Stable growth in orders	None	
Hefu Construction Co., Ltd.	68,000	Long-Term Investments	Reason for Profit: Construction project not yet completed	None	
Helun Precision Co., Ltd.	5,000	Long-Term Investments	Reason for Loss: Sporadic Expenses and Expenditure	Saving on Unnecessary Expenditure	

**(VI) Risk Factors Analysis**

1. The impact upon the Company's balance sheet of inflation and changes in interest and exchange rates, and the measures the company plans to adopt in response

(1) Interest Rate :

The Company's interest rate risk arises primarily from financial liabilities. Changes in interest rates may affect the interest expense payable on financial liabilities. As the majority of the financial liabilities are floating interest rates, the increase in interest rates may result in higher than expected interest expenses, as the Company's financial structure is strengthened and better financing rates are sought from banks, the impact on the Company's profit or loss from the change in interest rates is minimal.

(2) Exchange Rate:

The Company's products are mainly exported, and most of the products sold are denominated in U.S. dollars or Euros; hence, variations to exchange rate have a significant impact on the Company's gains and losses in exchanges. To diminish the impacts on Company's gains and losses by exchange rate variations, the Company has adopted accounts receivable factoring to its certain positions, which refrains the Company from risks of uncollectible accounts receivable meanwhile relatively reduces the risk of exchange rate changes. In addition, the Company's transaction counterparts are financial institutions with good credit, with non-default by the counterparts expected; therefore, possibility of credit risk is extremely small.

(3) Inflation:

The prices of raw materials required by the Company and the selling prices of the Company's products were relatively stable and the impact of current inflation on the Company's future profit or loss was not significant.

2. High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future: None.
3. Future research and development projects, and expenditures expected in connection therewith:
  - (1) With the most advanced detecting instrument and a strong R&D team, the Company has the capability to quickly develop products in accordance with customer needs, with the future R&D plans as follows:
    - A. Parts and Components for US Automotive Auto Transmission.
    - B. Parts and Components for US Automotive Torque Converter.
    - C. Parts and Components for New Transmissions of High-End Motorcycles.
    - D. Oil Pump Gear for US Industrial Machines.
    - E. Parts for Gearboxes of US Agricultural and Construction Machinery.
    - F. US Patented Limited-slip Differential.
    - G. Parts and Components for European CVTs.
    - H. Parts and Components for Air Compressors in Brake Systems for Trucks.
    - I. Hobber, shaving machines and chamfering machines.
    - J. Various ATV, mobility scooters and medical aid scooters.
    - K. Parts and Components for reductive drive of US Electric Cars and their assembly.
    - L. Bevel gears, and assembly for bevel gear differentials.
    - M. Epicyclic Gearing Sets for Gearbox of Hybrid Cars.
    - N. Intelligent Gear Production Integration Technology.
    - O. High-Efficiency Powertrain System Assembly for Electric Cars.
    - P. Parts and Components for Aeronautics and Space Industry.
    - Q. Bevel wheel.
    - R. Bevel wheel differential assembly
    - S. Electric motorcycle motor shaft parts
    - T. Mid drive electric motor module
  - (2) It is expected that the Company will contribute to its R&Ds equivalent to 2-5% of the annual net sales in order to improve efficiency and take efforts in shortening the R&D timeline with a view to seize market opportunities firsthand.
4. The impact upon the Company's financial operations of important policy and legal developments at home and abroad, and the measures the Company plans to adopt in response:
 

In response to the amendments to corporate governance, the Company Act, and Securities and Exchange Act by the competent authority, the Company has cooperated in the process, and there is no significant impact on the financial status of the Company.
5. The impact on the Company's financial operations of developments in science, technology, and industry, and the measures the Company plans to adopt in response:
 

Extending from the improvement of internet, broadband and wireless communication transmission technologies, the Company may further expand the development of new customers to maximize the Company's profit; owing to the fact that the Company has purchased the state-of-art automation machinery and detecting instruments meanwhile committed to building intelligent



production lines; in addition, with its strong R&D team and quick development of products in accordance with customer needs, the Company has established a good brand image in the industry and is favored by European and American customers. Such advantage has benefited the Company financially and business-wise.

6. The impact of changes in the Company's image upon its crisis management, and the measures the Company plans to adopt in response:

The Company has adhered to the management principles of professionalism and ethics, and has attached great importance to corporate image and risk control. There is no foreseeable crisis at the current state.

7. The expected benefits and potential risks of any merger or acquisition, and measures to be adopted in response: No such occurrence in the Company.

8. The expected benefits and potential risks of any plant expansion, and measures to be adopted in response:

The Company expects to construct Chiayi No. 5 Plant in 2023.

Expected Benefits:

(1) Faced with strong global demand for automotive parts and components, to seize market opportunities, only by continuously expanding production capacity, introducing new equipment and reducing costs may the Company continue to create greater operating revenue and to gain market share. In recent years, the Company has become a high-profile leading professional manufacturer of automotive transmission parts and components with high profitability.

(2) Estimated annual production: 500,000 sets of reduction mechanism, which is expected to boost the overall automation capacity of Chiayi No. 3 Plant and Chiayi No. 5 Plant.

Possible risks and countermeasures: There is no foreseeable risk at present.

9. The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response: No such occurrence in the Company.

10. Effect upon and risk to the company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and measures to be adopted in response: No such occurrence in the Company.

11. Impact and risk of change in management right, and the countermeasures thereof: No such occurrence in the Company.

12. For litigious and non-litigious matters, if there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a Company director, supervisor, President, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending, this Annual Report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and status of the case as of the date of publication of this Annual Report: No such occurrence in the Company.

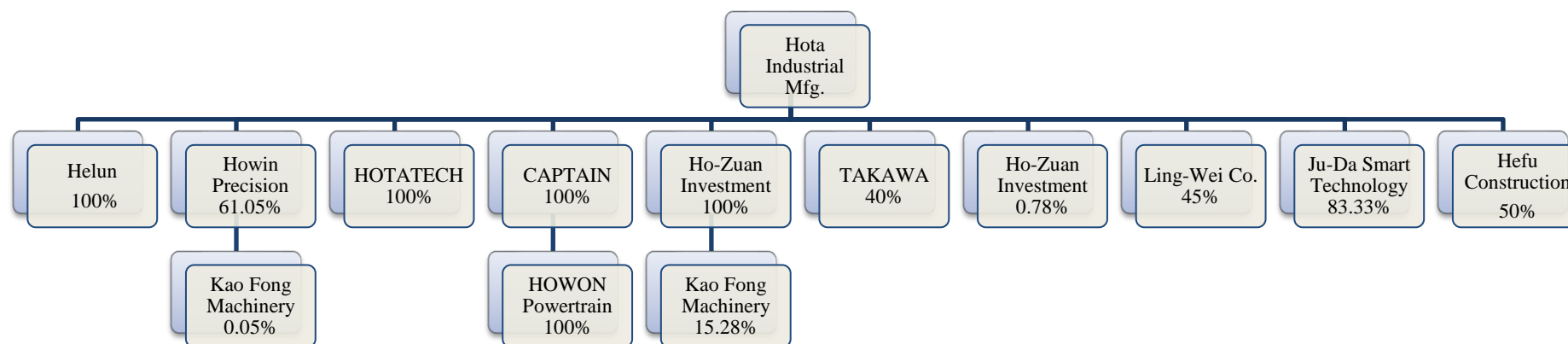
13. Other important risks and measures to be adopted in response: No such occurrence in the Company.

**(VII) Any other important matters: None**

## VIII. Special Notes

### (I) Information Regarding Affiliated Companies

(1) In 2022, organization structure of affiliates



Note: The shareholding ratio to Kao Fong Machinery Co., Ltd. by the Company is 16.11%.

### (2) Affiliate Enterprises Overview

- A. Acquisition or merger of other companies: None
- B. De-merger: None
- C. Re-invested Enterprises: status of the Company's re-invested enterprises as of December 31, 2022 are summarized as follows:
  - a. Related information of the investee companies:

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

Table 6

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

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

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

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

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

Note 3: Howon (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.

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

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

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

(3) Financial Condition and Financial Performance of each affiliate enterprise

A. The compiled financial information from main associates of the group is as follows:

Unit: NTD (Thousands)

	Asset	Liability	Revenue	Income	Shareholding Proportion
December 31, 2022					
Kao Fong Machinery Co., Ltd.	\$ 4,567,502	\$ 2,733,352	\$ 1,676,079	\$ 47,519	16.11%
Ling-Wei Co., Ltd.	149,017	49,196	69,676	6,589	45.00%
TAKAWA SEIKI, INC.	5,356	—	—	( 6,745 )	40.00%

B. Statements for Portions of Associates and Joint Venture Income Recognized under Equity Method is as follows:

Income from Investments

Invested Companies	2022	2021
Kao Fong Machinery Co., Ltd.	\$ 7,651	( \$ 5,816 )
Ling-Wei Co., Ltd.	2,965	3,969
TAKAWA SEIKI, INC.	( 2,780 )	1,074
	<u>\$ 7,836</u>	<u>( \$ 773 )</u>

(4) Information of Directors, Supervisors and Presidents of Each Affiliate Enterprise

Enterprise Name	Role	Name or Representative
Kao Fong Machinery Co., Ltd.	Chairman	Ho-Zuan Investment Co., Ltd. Representative: Sheng, Kuo-Jung
	Director	Ho-Zuan Investment Co., Ltd. Representative: Lin, Yen-Huey
	Director	Hao Qing Investment Ltd. Representative: Sun, Yung-Cang
	Director	Chang, Yu-Jeng
	Director	Shen, Chien-Ci
	Director	Huang, Feng-Yih
	Independent Director	Liao, Shu-Zhong
	Independent Director	Guo, Jyun-Ming
	Independent Director	Wang, Fu-Lin
Ling-Wei Co., Ltd.	Chairman	Yung-Chin Develop Forging CO., LTD. Representative: Tseng, Shu-Mei
	Director	Yung-Chin Develop Forging CO., LTD. Representative: Chien, Yi-Sheng
	Director	Hota Industrial Mfg. Co., Ltd. Representative: Chen, Chun-Chih
	Supervisor	Lin, Yen-Huey
	Supervisor	Fang, Rui-Rong
TAKAWA SEIKI, INC.	Chairman	Hota Industrial Mfg. Co., Ltd. Representative: Sheng, Kuo-Jung

(5) Consolidated Financial Statements of Affiliate Enterprises: The relevant information has been disclosed in the consolidated business report and consolidated financial statements of affiliate enterprises. Please refer to Pages 86~161.

(II) The status of conducting issuance of securities through private placement: No such occurrence in the Company.

(III) The status of those subsidiaries of the Company who held or disposed of shares of this company during the most recent fiscal year and up to publication date of this Annual Report: No such occurrence in the Company.

(IV) Other necessary items to be supplemented and explained: None.

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or the current fiscal year up to the publication date of the Annual Report: No such occurrence in the Company.

Hota Industrial Mfg. Co., Ltd.

Chairman: Sheng, Kuo-Jung

Date of Publication: May 19, 2023