



2023

# Annual Report

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

**Published on May 19, 2024**

- I. Spokesperson  
Name: Chen, Chun-Chih  
Role: President  
Phone: (04)25692299 Ext. 1234  
Email:gretchen-hsu@hota.com.tw
- II. Acting Spokesperson  
Name: Sheng, Chien-Chih  
Role: CEO  
Email:yuting-chang@hota.com.tw  
Phone:(04) 25692299 Ext. 1239
- III. Address and Phone of Headquarter, Branches and Factories  
Dali Headquarter  
Address: No. 115, Renhua Rd., Dali Dist., Taichung City  
Phone:(04) 24912191  
CTSP Branch  
Address: No. 12, Keya Rd., Daya Dist., Taichung City  
Phone: (04)25692299  
Chiayi Branch  
Address: No. 18, 5th Rd., Dapumei Park, Chiayi County  
Phone: (05)2955699
- IV. Institution for Shares Transfer:  
Name: Agency for Stock Affairs, MasterLink Securities Co., Ltd.  
Address: 26F, No. 186, Shizheng N. 7th Rd., Xitun Dist., Taichung City, Taiwan (R.O.C.)  
Phone: (04)22598999  
URL: <http://www.masterlink.com.tw>
- V. CPA for Audit and Attesting of the Financial Report in Most Recent Year:  
CPA Firm Name: Ernst & Young Taiwan  
Name of Accountant(s): CPA Huang, Zi-Ping and Huang, Yu-Ting  
Address: 9F, No. 333, Sec. 1, Keelung Rd., Taipei City  
Phone: (02) 27578888  
Website URL: [https://www.ey.com/zh\\_tw](https://www.ey.com/zh_tw)
- VI. Name of Exchange for Offering and Trading of Overseas Securities: N/A
- VII. Company Website URL: <http://www.hota.com.tw>

# Table of Contents

|      |  |     |
|------|--|-----|
| I.   | Report to the Shareholders .....   | 1   |
| II.  | Company Profile.....   | 5   |
| III. | Corporate Governance Report.....   | 9   |
|      | (I) Organization System.....   | 9   |
|      | (II) Supervisory Information for Director, Supervisor, President, Vice President, Associate Manager, Departments and Branches .....  | 11  |
|      | (III) Remuneration Paid to Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Year .....  | 22  |
|      | (IV) Corporate Governance Operation Status .....   | 27  |
|      | (V) Information on the professional fees of the attesting CPAs .....   | 51  |
|      | (VI) Information on Replacement of Certified Public Accountants.....   | 52  |
|      | (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.....  | 52  |
|      | (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. .... | 53  |
|      | (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:.....   | 55  |
|      | (X) Consolidated shareholding ratio. ....  | 56  |
| IV.  | Funding Status .....   | 57  |
|      | (I) Capital & Shares .....   | 57  |
|      | (II) Issuance of Corporate Bonds. ....   | 61  |
|      | (III) Issuance of Preferred Shares .....   | 61  |
|      | (IV) Issuance of Global Depository Receipts .....  | 61  |
|      | (V) Issuance of Employee Stock Options and Restricted Employee Shares.....   | 61  |
|      | (VI) Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies .....  | 61  |
|      | (VII) Implementation of Capital Allocation Plans.....  | 61  |
| V.   | Operational Highlights .....   | 62  |
|      | (I) Business Content.....  | 62  |
|      | (II) Market and Production & Promotion Overview .....  | 67  |
|      | (III) Number of Employees, Average Years of Services, Average Age and Education in the Most Recent Two Years up to the Publication Date of the Annual Report.....  | 75  |
|      | (IV) Information Regarding Environmental Protection Expenditure .....  | 75  |
|      | (V) Labor Relations .....  | 76  |
|      | (VI) Cyber security management.....  | 78  |
|      | (VII) Important Contracts .....  | 79  |
| VI.  | Financial Highlights .....   | 80  |
|      | (I) Condensed Financial Information in the Most Recent Five Years .....  | 80  |
|      | (II) Financial Analysis of the Most Recent Five Years.....   | 84  |
|      | (III) Audit Committee's Report on Financial Statements for the Most Recent Fiscal Year.....  | 87  |
|      | (IV) Financial Statements in the most recent Fiscal year .....   | 88  |
|      | (V) Parent-company-only financial statements for the most recent fiscal year .....   | 164 |
|      | (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.....  | 256 |
| VII. | Review and Analysis of Financial Condition and Financial Performance and Risks .....   | 257 |
|      | (I) Financial Position .....   | 257 |
|      | (II) Financial Performance .....   | 258 |
|      | (III) Cash Flow .....  | 258 |
|      | (IV) The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition .....   | 259 |

|   |     |
|---|-----|
| (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.....   | 260 |
| (VI) Risk Factors Analysis .....  | 260 |
| (VII) Any other important matters .....   | 262 |
| VIII. Special Notes .....   | 263 |
| (I) Information Regarding Affiliated Companies .....  | 263 |
| (II) Private Securities of Most Recent Year, up to the Date this Report is Published .....  | 265 |
| (III) Holding or Disposition of the Shares by the Company Subsidiaries in the Most Recent Year, up to the Date this Report is Published .....   | 265 |
| (IV) Other necessary items to be supplemented and explained.....  | 265 |
| 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 ..... | 265 |

## I. Report to the Shareholders

### (I) Operation Report of the Year 2023

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

Unit: New Taiwan Dollar, thousand

| Item  | Year 2023   |      | Year 2022   |      |
|---|-------------|------|-------------|------|
|   | Amount      | %    | Amount      | %    |
| Operation Revenue   | 6,599,230   | 100  | 7,339,165   | 100  |
| Operation Costs   | (5,458,129) | (83) | (5,643,604) | (77) |
| Operation Margin  | 1,141,101   | 17   | 1,695,561   | 23   |
| Operation Expenses  | (725,510)   | (11) | (1,156,625) | (16) |
| Operation Net Profit  | 415,591     | 6    | 538,936     | 7    |
| Non-operating income and expenses                             | (52,991)    | (1)  | 229,562     | 3    |
| Net profit before tax   | 362,600     | 5    | 768,498     | 10   |
| Income Tax Expense  | (37,937)    | (1)  | (139,425)   | (2)  |
| Net Income after tax  | 324,663     | 4    | 629,073     | 8    |
| Net income attributable to stockholders of the parent company | 327,211     | —    | 623,958     | —    |
| Net income attributable to non-controlling interests          | (2,548)     | —    | 5,115       | —    |

#### 2. Analysis of Profitability:

| Item  |                      | Year 2023 | Year 2022 |
|---|----------------------|-----------|-----------|
| Return on Assets (%)                                |                      | 2.10      | 3.31      |
| Return on Equity of Shareholders (%)                |                      | 3.64      | 7.10      |
| Ratio to Paid-in Capital (%)                        | Operation Net Profit | 14.87     | 19.28     |
|   | Net Income after tax | 12.97     | 27.49     |
| Net Profit Ratio (%)                                |                      | 4.92      | 8.57      |
| Earnings per share(Not been retrospective adjusted) |                      | 1.17      | 2.23      |

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

(1) The development results of Research & Development department are as follows:

- A. Electric vehicle gearbox components.
- B. Hybrid transmission components.
- C. Heavy-duty electric truck reduction gearbox components.
- D. Pump drive components.
- E. Precision mechanical reducer.
- F. Aerospace parts.
- G. Reductive drive gear sets, electronic control, and integration for pedal electric cycle.
- H. Gear hobbing machine, gear scraping machine, chamfering machine, gear meshing machine, compressor, various types of automation equipment, and system integration.
- I. Differential assembly.
- J. Planetary gear set of transmission.
- K. Heavy locomotive gearbox and transmission components.
- L. Gearbox parts for large agricultural machinery.

#### (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.

This year's R&D focus is on continuing the past R&D achievements, developing various vehicle transmission systems, and precision gears and transmission shafts required for electric vehicle gearboxes.

#### 4. Business Plan outline of the Year 2024:

##### (1) Management Guideline:

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

Major automobile manufacturers are constantly improving in terms of precision and quality requirements. Therefore, in the Quality system and management, the Company not only reinforces the training of quality control personnel but also 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 continuously investing in frontline manufacturing and improved the equipment for production and inspection but also reinforced the development 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 pursue more long-term cooperation opportunities with foreign automobile component manufacturers, automotive manufacturers, and potential new electric vehicle ventures. The Company seeks strategic alliances and technical cooperation opportunities with automotive manufacturers and emerging electric vehicle ventures through excellent quality and professional R&D technology.

##### D. Promote Productivity 4.0:

The new Dapumei factory in Chiayi County first promotes the smart manufacturing production model. In addition to purchasing automated machines and advanced inspection equipment, the successful implementation of 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. The Company is strengthening its R&D capabilities and providing customers with collaborative design services. The Company is implementing IATF16949, promoting smart manufacturing, MES, and BI management reports. At the same time, the Company reinforces mechanisms for rapid response such as Lean Production (TPS, Toyota Production

System) and Quality System Basics (QSB). The Company emphasize close communication with customers to enhance customer satisfaction.

- B. Implement corporate social responsibility, demonstrate the spirit of corporate ESG 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 and Net Zero carbon emission initiatives, energy conservation and carbon reduction issues, and strengthen the implementation of ISO 14064 greenhouse gas inventory review, ISO 14067 carbon footprint certification.
- C. Actively pursue opportunities with major global automotive manufacturers in the development of electric vehicles and smart driving technology. With abundant experience and technology, actively develop partnerships with European and American automotive customers. Also, design and develop collaboratively with them to expand the market of reducer components for electric vehicles.
- D. Facing global market competition, the Company continuously optimizes processes, improves quality, and reduces costs to enhance the Company's competitiveness, and then strives existing customers' orders from different regions in the world to expand the global market.

(3) Future development strategy:

- A. With global demand for electric and fuel vehicles exceeding 80 million units annually, the Company continues to actively expand into European, American, and Emerging markets. In response to energy conservation and carbon reduction issues, smart vehicles and electric vehicles will be 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. 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 policies on achieving net-zero carbon emissions by 2050, greenhouse gas inventories, and issues related to extreme climate change, automobile manufacturers worldwide are actively investing in the green energy vehicle market. They aim to produce green energy vehicles that are not only more affordable but also of 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. post-pandemic era, along with the impact of geopolitical tensions such as the Russia-Ukraine conflict, Middle East crises, and reductions in canal transportation, there have been significant effects on the global economy, raw materials, shipping, and currency inflation. The Company remains vigilant in closely monitoring rapid changes in customer and market dynamics. 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  
LI, YUAN-JI



## 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.

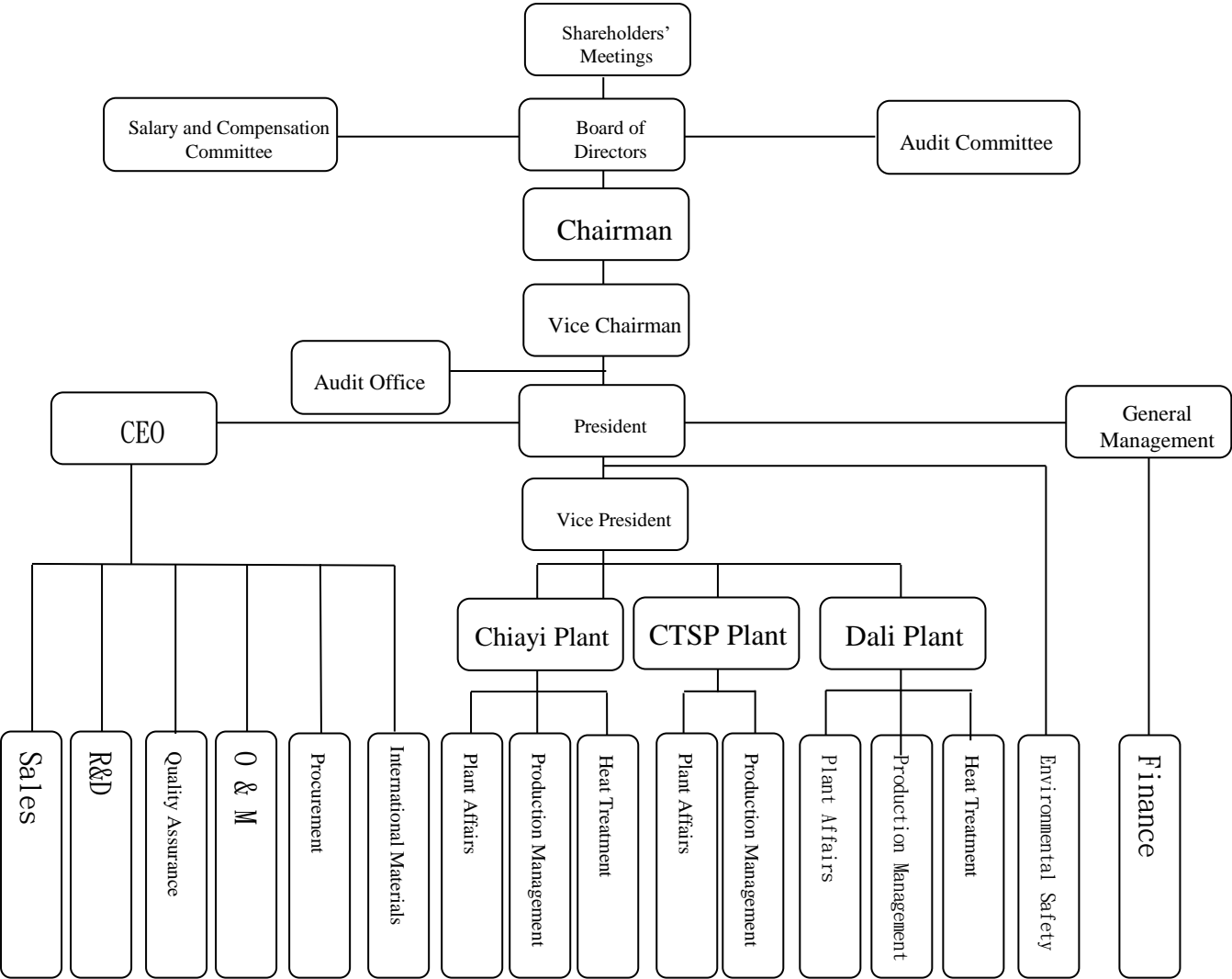
- Purchased Wanmei Plant on Renhua Rd.
- Capital of the Company following Capital increase at NTD 632.812 million.
- 2005 ● Established Hartech Machinery Co., Ltd. for producing and selling gear making machines, becoming the sole gear-shaving machine manufacturer in Taiwan.
- Capital of the Company following 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.
- 2023
- Awarded the Top 500 Excellent Exporters/ Importers in the Year 2022.
  - Awarded The Ministry of Economic Affairs' Award for Over 50 Years of Entrepreneurship Certificate.
  - Construction of Plant on Plot No. 1088 in Dali.

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>   |

## (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<br>(Note1) | Nationality or<br>Country of<br>Incorporation | Name                        | Gender<br>Age<br>(Note 2)       | Date<br>Elected/Assumed | Terms | Date First<br>Elected (Note<br>3) | Shares Held<br>When Elect |                       | Current Number<br>of Shares Held |                       | Current Number of Shares<br>Held by Spouse or Under-<br>age Children |                       | Shares Held under<br>Name of Other<br>Parties |                       | Main<br>Experience<br>(Education<br>Background)<br>(Note4)  | Concurrent<br>Roles in the<br>Company and<br>Other<br>Companies  | Other Supervisor, Director or Supervisor<br>having a spousal relationship or 2 <sup>nd</sup> Degree of<br>Kinship |                          |              | Remarks<br>(Note 5) |
|-----------------|---|-----------------------------|---------------------------------|-------------------------|-------|-----------------------------------|---------------------------|-----------------------|----------------------------------|-----------------------|--|-----------------------|---|-----------------------|---|--|---|--------------------------|--------------|---------------------|
|                 |   |                             |                                 |                         |       |                                   | Shares                    | Shareholding<br>Ratio | Shares                           | Shareholding<br>Ratio | Shares   | Shareholding<br>Ratio | Shares  | Shareholding<br>Ratio |   |  | Role  | Name                     | Relationship |                     |
| Chairman        | Taiwanese<br>(ROC)                            | Sheng, Kuo-Jung<br>(Note 6) | Male<br>70-75<br>years<br>old   | 2023/6/13               | 3     | 1990/6/25                         | 3,824,170                 | 1.37                  | 3,824,170                        | 1.37                  | 37,140   | 0.01                  | 0   | 0                     | Honorary<br>Doctorate, IAU<br>INTERNATIONAL<br>AMERICAN<br>UNIVERSITY (US)<br>MBA, the<br>University of<br>Sydney<br>Honorary Doctorate<br>in Management,<br>Chaoyang<br>University of<br>Technology<br>Chairman, Hota<br>Industrial Mfg. Co.,<br>Ltd.<br>Chairman, Kao<br>Fong Machinery<br>Co., Ltd.<br>Chairman, Hwa<br>Fong Rubber Ind.<br>Co., Ltd.<br>Chairman, Inalways<br>Corporation | Honorary Chairman,<br>Kao Fong<br>Machinery Co., Ltd.<br>Chairman, Hwa<br>Fong Rubber Ind.<br>Co., Ltd.<br>Chairman,<br>Mediera<br>Corporation.<br>Senior Advisor to<br>the President,<br>Presidential Office<br>Chairman, Hefu<br>Construction Co.,<br>Ltd. | Legal<br>Representative<br>of Kao Fong<br>Machinery   | Sheng,<br>Chien-<br>Chih | Daughter     | —                   |
| Director        | Taiwanese<br>(ROC)                            | Lin, Yen-Huey               | Male<br>66-70<br>years<br>old   | 2023/6/13               | 3     | 1990/6/25                         | 3,802,174                 | 1.36                  | 3,802,174                        | 1.36                  | 0  | 0                     | 0   | 0                     | Pacific Western<br>University<br>Vice Chairman,<br>Hota Industrial<br>Mfg. Co., Ltd.  | Director, World<br>Known MFG<br>(Cayman) Ltd.<br>Chairman, Kao<br>Fong Machinery<br>Co., Ltd.  | Director  | Lin, Mei-<br>Yu          | Brother      | —                   |
| Director        | Taiwanese<br>(ROC)                            | Lin, Mei-Yu                 | Female<br>70-75<br>years<br>old | 2023/6/13               | 3     | 1990/6/25                         | 3,266,000                 | 1.17                  | 3,266,000                        | 1.17                  | 0  | 0                     | 0   | 0                     | Junior High School<br>Director, Hota<br>Industrial Mfg. Co.,<br>Ltd.  | —  | Director  | Lin, Yen-<br>Huey        | Brother      | —                   |
| Director        | Taiwanese<br>(ROC)                            | Huang, Feng-<br>Yih         | Male<br>60-65<br>years<br>old   | 2023/6/13               | 3     | 2005/06/27                        | 1,968,000                 | 0.70                  | 1,968,000                        | 0.70                  | 0  | 0                     | 0   | 0                     | Tainan Vocational<br>High School<br>Director, Hota<br>Industrial Mfg. Co.,<br>Ltd.<br>Supervisor, Kao<br>Fong Machinery<br>Co., Ltd.<br>Director, Ying-Hui<br>Machine Co., Ltd.   | Director, Ying-Hui<br>Machine Co., Ltd.<br>Director, Kao Fong<br>Machinery Co., Ltd.   | —   | —                        | —            | —                   |
| Director        | Taiwanese<br>(ROC)                            | Wang, Hui-O                 | Female<br>80-85<br>years<br>old | 2023/6/13               | 3     | 2017/6/14                         | 791,272                   | 0.28                  | 791,272                          | 0.28                  | 28,230   | 0.01                  | 0   | 0                     | Junior High School<br>Responsible Person,<br>Ho-Hsin Industrial<br>Corporation<br>Director, Hota<br>Industrial Mfg. Co.,<br>Ltd.  | —  | —   | —                        | —            | —                   |
| Director        | Taiwanese<br>(ROC)                            | Central<br>Investment       | —                               | 2023/6/13               | 3     | 2011/5/30                         | 11,985,241                | 4.29                  | 11,985,241                       | 4.29                  | 0  | 0                     | 0   | 0                     | —   | —  | —   | —                        | —            | —                   |

| Role<br>(Note 1)        | Nationality or<br>Country of<br>Incorporation | Name   | Gender<br>Age<br>(Note 2)       | Date<br>Elected/Assumed | Terms | Date First<br>Elected (Note<br>3) | Shares Held<br>When Elect |                       | Current Number<br>of Shares Held |                       | Current Number of Shares<br>Held by Spouse or Under-<br>age Children |                       | Shares Held under<br>Name of Other<br>Parties |                       | Main<br>Experience<br>(Education<br>Background)<br>(Note 4)   | Concurrent<br>Roles in the<br>Company and<br>Other<br>Companies  | Other Supervisor, Director or Supervisor<br>having a spousal relationship or 2 <sup>nd</sup> Degree of<br>Kinship |                        |              | Remarks<br>(Note 5) |
|-------------------------|---|--|---------------------------------|-------------------------|-------|-----------------------------------|---------------------------|-----------------------|----------------------------------|-----------------------|--|-----------------------|---|-----------------------|---|--|---|------------------------|--------------|---------------------|
|                         |   |  |                                 |                         |       |                                   | Shares                    | Shareholding<br>Ratio | Shares                           | Shareholding<br>Ratio | Shares   | Shareholding<br>Ratio | Shares  | Shareholding<br>Ratio |   |  | Role  | Name                   | Relationship |                     |
|                         |   | Representative:<br>Chang, Yu-<br>Jeng                | Male<br>70-75<br>years<br>old   | 2023/6/13               | —     | 20110/5/30                        | 69,152                    | 0.03                  | 74,246                           | 0.03                  | 0  | 0                     | 0   | 0                     | Ph.D. Physics,<br>University of Texas<br>at Austin (US)<br>Director, Hota<br>Industrial Mfg. Co.,<br>Ltd.<br>Chairman, Central<br>Motor Co., Ltd.<br>Director, Kao Fong<br>Machinery Co., Ltd.<br>Director, Calin<br>Technology<br>Industrial Co., Ltd.<br>Director, Calin<br>Technology          | Chairman, Chin<br>Fong Machine<br>Industrial Co., Ltd.<br>Chairman, Central<br>Motor Co., Ltd.<br>Director, Kao Fong<br>Machinery Co., Ltd.<br>Director, Calin<br>Technology<br>Supervisor, Hanlin<br>Brothers Investment<br>Co., Ltd. | —   | —                      | —            | —                   |
| Director                | Taiwanese<br>(ROC)                            | Central<br>Investment                                | —                               | 2023/6/13               | 3     | 2011/5/30                         | 11,985,241                | 4.29                  | 11,985,241                       | 4.29                  | 0  | 0                     | 0   | 0                     | —   | —  | —   | —                      | —            | —                   |
|                         |   | Representative:<br>Lin, Yue-Hong                     | Male<br>60-65<br>years<br>old   | 2023/6/13               | —     | 2020/6/17                         | 324,247                   | 0.12                  | 324,247                          | 0.12                  | 0  | 0                     | 0   | 0                     | Soochow<br>University<br>Vice Chairman,<br>Central Motor Co.,<br>Ltd.<br>Director, Chin Fong<br>Machine Industrial<br>Co., Ltd.   | Vice Chairman,<br>Central Motor Co.,<br>Ltd.   | —   | —                      | —            | —                   |
| Director                | Taiwanese<br>(ROC)                            | Kao Fong<br>Machinery                                | —                               | 2023/6/13               | 3     | 2010/6/29                         | 7,066,239                 | 2.53                  | 7,442,239                        | 2.66                  | 0  | 0                     | 0   | 0                     | —   | —  | —   | —                      | —            | —                   |
|                         |   | Representative:<br>Sheng, Chien-<br>Chih<br>(Note 6) | Female<br>40-45<br>years<br>old | 2023/6/13               | —     | 2010/6/29                         | 339,346                   | 0.12                  | 339,346                          | 0.12                  | 63   | 0                     | 0   | 0                     | Master, Drucker<br>Academy (US)<br>Manager, Dong An<br>Investment Co.,<br>Ltd.<br>CEO, Hota<br>Industrial Mfg. Co.,<br>Ltd.<br>Director, Kao Fong<br>Machinery Co., Ltd.<br>Director, World<br>Known MFG<br>(Cayman) Ltd.<br>Independent<br>Director, Orange<br>Electronic Co., Ltd.              | Director, Kao Fong<br>Machinery Co., Ltd.<br>Independent<br>Director, Orange<br>Electronic Co., Ltd.<br>Independent<br>Director, Tan De<br>Tech Co., Ltd.<br>Director, World<br>Known MFG<br>(Cayman) Ltd.                             | Chairman  | Sheng,<br>Kuo-<br>Jung | Father       | —                   |
| Director                | Taiwanese<br>(ROC)                            | Hao-Qing<br>Investment                               | —                               | 2023/6/13               | 3     | 20176/14                          | 86,347                    | 0.03                  | 86,347                           | 0.03                  | 0  | 0                     | 0   | 0                     | —   | —  | —   | —                      | —            | —                   |
|                         |   | Representative:<br>Sun, Yong-Lu                      | Male<br>56-60<br>years<br>old   | 2023/6/13               | —     | 2018/6/13                         | 398,726                   | 0.14                  | 398,726                          | 0.14                  | 0  | 0                     | 0   | 0                     | Master of<br>Management and<br>Development, Feng<br>Chia University<br>Manager of<br>Constructions,<br>Panda Construction<br>Co., Ltd.<br>Manager of<br>Corporate<br>Management, Da-<br>Tun Cable<br>Television Co., Ltd.<br>Supervisor, Dali<br>Farmers'<br>Association,<br>Taichung City        | Supervisor, Dali<br>Farmers'<br>Association,<br>Taichung City  | —   | —                      | —            | —                   |
| Independent<br>Director | Taiwanese<br>(ROC)                            | Chueh, Ming-<br>Fu                                   | Male<br>71-75<br>years<br>old   | 2023/6/13               | 3     | 2017/6/14                         | 0                         | 0                     | 0                                | 0                     | 0  | 0                     | 0   | 0                     | Doctor of Laws,<br>National Chengchi<br>University<br>Judge, Taiwan High<br>Court of Justice<br>Judge, Taipei High<br>Court of Justice<br>Presiding Judge,<br>Taipei High<br>Administrative<br>Court<br>Vice Chief,<br>Discipline,<br>Executive Yuan<br>Judge, Supreme<br>Administrative<br>Court | Attorney at Law  | —   | —                      | —            | —                   |



| Role<br>(Note 1)        | Nationality or<br>Country of<br>Incorporation | Name                 | Gender<br>Age<br>(Note 2)     | Date<br>Elected/Assumed | Terms | Date First<br>Elected (Note<br>3) | Shares Held<br>When Elect |                       | Current Number<br>of Shares Held |                       | Current Number of Shares<br>Held by Spouse or Under-<br>age Children |                       | Shares Held under<br>Name of Other<br>Parties |                       | Main<br>Experience<br>(Education<br>Background)<br>(Note 4)  | Concurrent<br>Roles in the<br>Company and<br>Other<br>Companies  | Other Supervisor, Director or Supervisor<br>having a spousal relationship or 2 <sup>nd</sup> Degree of<br>Kinship |      |              | Remarks<br>(Note 5) |
|-------------------------|---|----------------------|-------------------------------|-------------------------|-------|-----------------------------------|---------------------------|-----------------------|----------------------------------|-----------------------|--|-----------------------|---|-----------------------|--|--|---|------|--------------|---------------------|
|                         |   |                      |                               |                         |       |                                   | Shares                    | Shareholding<br>Ratio | Shares                           | Shareholding<br>Ratio | Shares   | Shareholding<br>Ratio | Shares  | Shareholding<br>Ratio |  |  | Role  | Name | Relationship |                     |
| Independent<br>Director | Taiwanese<br>(ROC)                            | Cheng, Wen-<br>Zheng | Male<br>66-70<br>years<br>old | 2023/6/13               | 3     | 2020/6/10                         | 0                         | 0                     | 0                                | 0                     | 0  | 0                     | 0   | 0                     | Master of<br>Management and<br>Development, Feng<br>Chia University<br>Vice President, E-<br>Sun Bank  | Independent<br>Director, SDI<br>CORPORATION  | —   | —    | —            | —                   |
| Independent<br>Director | Taiwanese<br>(ROC)                            | Liu, Zheng-<br>Huai  | Male<br>66-70<br>years<br>old | 2023/6/13               | 3     | 2020/6/10                         | 0                         | 0                     | 0                                | 0                     | 0  | 0                     | 0   | 0                     | Doctor of Business<br>Administration,<br>National Taipei<br>University<br>Project Professor,<br>National Taichung<br>University of<br>Science and<br>Technology<br>Independent<br>Director, Lotus<br>Pharmaceutical. Co.<br>Optical Co., Inc.<br>Arbitrator, Chinese<br>Arbitration<br>Association, Taipei<br>Adjunct Professor,<br>Department of<br>Industrial<br>Engineering and<br>Engineering<br>Management,<br>National Tsinghua<br>University<br>Drafter and Grader,<br>Ministry of<br>Examination<br>Independent<br>Director, Engley<br>Holding (Samoa)<br>Ltd. | Adjunct Professor,<br>Department of<br>Accounting<br>Information,<br>National Taichung<br>University of<br>Science and<br>Technology<br>Director, Taipei<br>Jingwen High<br>School<br>Independent<br>Director, Engley<br>Holding (Samoa)<br>Ltd.<br>Independent<br>Director, best<br>precision industrial<br>Co., Ltd.<br>Supervisor,<br>Academy of Taiwan<br>Information<br>Systems Research<br>(ATISR)<br>CPA, Hui-Jia CPA<br>Fir. | —   | —    | —            | —                   |
| Independent<br>Director | Taiwanese<br>(ROC)                            | Zhuang, Bo-<br>Nian  | Male<br>66-70<br>years<br>old | 2023/6/13               | 3     | 2023/6/13                         | 0                         | 0                     | 0                                | 0                     | 0  | 0                     | 0   | 0                     | Concurrent<br>Researcher and<br>Director of the<br>Industry<br>Technology Group<br>of Science &<br>Technology<br>Advisory Board.<br>Deputy General<br>Director of<br>Industrial<br>Technology<br>Research Institute<br>(ITRI) Center for<br>Measurement.<br>Administrator and<br>Deputy General<br>Director of ITRI<br>Southern Region<br>Campus of<br>Industrial<br>Technology<br>Research Institute<br>(ITRI).   | Independent<br>Director of APEX<br>DYNAMICS, INC.  | —   | —    | —            | —                   |

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: The number of independent director seats has been increased during the 2023 re-election. Currently, more than half of the company's directors do not concurrently serve as employees or managers.

Table 1: Main Shareholders of Corporate Shareholder

As of April 16, 2023

| Corporate Shareholder Name<br>(Note 1) | Main Shareholders of<br>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%                 |
|  | Chuan, Fu-Mei                                       | 1.72%                 |
|  | Huang, Feng-Yih                                     | 1.49%                 |
|  | Hao-Qing Investment Ltd.                            | 1.41%                 |
|  | Lin, Chun-Hong                                      | 1.32%                 |
|  | Sun, Yong-Lu  | 1.26%                 |
|  | Juang, Guo-Huei                                     | 1.23%                 |
|  | Zhuang, Ai-Wei                                      | 0.92%                 |
|  | Hong, Meng-Zhou                                     | 0.85%                 |
| Hao-Qing Investment Ltd.               | Sun, Yung-Cang                                      | 30.00%                |
|  | Sun, Ming-Yi  | 23.34%                |
|  | Sun, Yu-Ting  | 23.33%                |
|  | Sun, Kuo-Wei  | 23.33%                |

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 16, 2023

| Corporate Shareholder Name<br>(Note1) | Main Shareholders of<br>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%                 |
| 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<br>Name  | Professional qualifications and experience<br>(Note1)  | Independence situation(Note2)  | Number of Public Companies the Director/Supervisor Serves as Independent Director |
|--|--|--|---|
| Chairman: Sheng, Kuo-Jung  | MBA, the University of Sydney,<br>Chairman, Hota Industrial Mfg. Co., Ltd.<br>Director, Kao Fong Machinery Co., Ltd.<br>Chairman, Hwa Fong Rubber Ind. Co., Ltd.<br>Chairman, Taiwan Science Park Association of Science and Industry<br>Senior Advisor to the President, Presidential Office<br>Ability: Operation Judgment, Accounting & Finance, Operation Management, Industry Knowledge, Leadership Policy, Crisis Handling<br>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,<br>Vice Chairman, Hota Industrial Mfg. Co., Ltd.,<br>Chairman, Kao Fong Machinery Co., Ltd.<br>Director, World Known MFG (Cayman) Ltd.<br>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.<br>(Over 30 years)<br>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,<br>Director, YingHui Machine Co., Ltd.<br>Director, Kao Fong Machinery Co., Ltd.<br>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.<br>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: Central Investment Co., Ltd. Representative: Chang, Yu-Jeng        | Ph.D. Physics, University of Texas at Austin (US),<br>Chairman, Central Motor Co. Ltd.,<br>Chairman, Chin Fong Machine Industrial Co., Ltd.,<br>Director, Kao Fong Machinery Co., Ltd.<br>Director, Calin Technology<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>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<br>Vice Chairman, Central Motor Co., Ltd.<br>Director, Chin Fong Machine Industrial Co., Ltd.<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>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.<br>Representative: Sun, Yong-Lu          | Master of Management and Development, Feng Chia University<br>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.<br>Representative: Sheng, Chien-Chih | Master, Drucker Academy (US)<br>Director, Kao Fong Machinery Co., Ltd.<br>Independent Director, Orange Electronic Co., Ltd.<br>Independent Director, Tan De Tech Co., Ltd.<br>Director, World Known MFG (Cayman) Ltd.<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>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,<br>Attorney at Law,<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>Professional: Law and Professional Advice for Law   | (1) The member is not an employee of the Company or its related enterprise(s).<br>(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,<br>Senior bank executive,<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>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.<br>(4) The member is not a manager as stated in (1), or spouse, relatives under 2nd degree of kinship or direct blood relatives under 3rd degree of kinship.  | 1 |
| Independent Director: Liu, Zheng-Huai                                       | Doctor of Business Administration, National Taipei University,<br>Adjunct Professor, Department of Accounting Information, National Taichung University of Science and Technology,<br>Independent Director, Engley Holding (Samoa) Ltd,<br>CPA, Hui-Jia CPA Fir,<br>Ability: Operation Judgment, Operation Management, Accounting & Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br>Professional: Financial planning and Professional Accounting Service | (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). | 2 |

|  |   |  |          |
|--|---|--|----------|
| <p>Independent Director:<br/>Zhuang, Bo-Nian</p> | <p>Graduated with a Ph.D. from the Graduate Institute of Department of Industrial Education of National Changhua University of Education, currently serving as an independent director at APEX DYNAMICS, INC.<br/>Ability: Operation Judgment, Operation Management, Accounting &amp; Finance, Industry Knowledge, Leadership Policy, Crisis Handling<br/>Professional: Operation Judgment and Industry Knowledge</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>1</p> |
|--|---|--|----------|

(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 12th Board of Directors of the Company (re-elected in June 2023) consists of 13 directors, including 9 directors and 4 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 31% of all directors. Percentage of Female Directors is 23%. There are 4 seats among the directors occupied by a familial relationship within the second degree of kinship, accounting for 31% of the total. Independent directors and their familial relationship within the second degree of kinship, and between independent directors and directors, do not have spouses or familial relationship within the second degree of kinship, in accordance with Article 26-3, paragraph 3, and paragraph 4 of the Securities and Exchange Act. None of the members of the board of directors have situations listed in Article 30 of the Company Act. 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<br>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  | Taiwanese       | Female | ✓        | ✓               | —               | —               | —               | —               | —  | —         | —         | ✓                    | ✓                    | ✓                    | ✓                  | ✓                 | ✓               |

|  |                    |        |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|--|--------------------|--------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Machinery Co., Ltd.<br>Representative:<br>Sheng, Chien-Chih    | (ROC)              |        |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| Hao-Qing<br>Investment Ltd.<br>Representative: Sun,<br>Yong-Lu | Taiwanese<br>(ROC) | Male   | — | — | ✓ | — | — | — | — | — | — | — | ✓ | ✓ | ✓ | — | ✓ |
| Wang, Hui-O  | Taiwanese<br>(ROC) | Female | — | — | — | — | — | ✓ | — | — | — | — | ✓ | ✓ | ✓ | — | ✓ |
| Lin, Mei-Yu  | Taiwanese<br>(ROC) | Female | — | — | — | — | ✓ | — | — | — | — | — | ✓ | ✓ | ✓ | — | ✓ |
| Chueh, Ming-Fu   | Taiwanese<br>(ROC) | Male   | — | — | — | ✓ | — | — | — | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Cheng, Wen-Zheng   | Taiwanese<br>(ROC) | Male   | — | — | — | ✓ | — | — | — | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Liu, Zheng-Huai  | Taiwanese<br>(ROC) | Male   | — | — | — | ✓ | — | — | — | ✓ | — | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Zhuang, Bo-Nian  | Taiwanese<br>(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.

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

As of April 14, 2023

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



|                    |                 |             |      |          |       |   |       |   |   |   |   |   |   |   |   |   |
|--------------------|-----------------|-------------|------|----------|-------|---|-------|---|---|---|---|---|---|---|---|---|
| Senior Manager     | Taiwanese (ROC) | Wu, Zhao-He | Male | 2017/6/1 | 350   | — | —     | — | — | — | Department of Economics, Tamkang University<br>Section Chief, JOHN-VALVE MFG. FACTORY CO., LTD<br>Sales Engineer, SYRIS Technology Corp | —   | — | — | — | — |
| Accounting Manager | Taiwanese (ROC) | Li, Yuan-Ji | Male | 2024/2/1 | 8,000 | — | 6,000 | — | — | — | Master's Program of Business Administration of Fengjia University EMBA<br>Financial Manager of Hwa Fong Rubber Ind. Co., Ltd.           | Supervisor of Hwa Fong Rubber Ind. Co., Ltd.<br>Director of APLEX TECHNOLOGY INC. | — | — | — | — |

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 (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 (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 (Note7) |   | The Company | All Companies included in Financial Report (Note7) |  |               |  |
|                      |                                   |                           |  |             |  |                                      |  |   |  |  |  |   |  |             |     |  |   |             |  |  |               |  |
| Director             | Sheng, Kuo-Jung                   | 0                         | 0  | 0           | 0  | 515                                  | 599  | 120   | 126  | 635 (0.19)                                       | 725 (0.22)   | 8,671   | 11,169   | 454         | 454 | 700  | — | 760         | 0  | 10,460 (3.20)  | 13,108 (4.01) | None   |
| Director             | Lin, Yen-Huey                     | 0                         | 0  | 0           | 0  | 515                                  | 557  | 120   | 126  | 635 (0.19)                                       | 683 (0.21)   | 7,171   | 8,853  | 373         | 373 | 550  | — | 590         | 0  | 8,729 (2.67)   | 10,499 (3.21) | None   |
| Director             | Lin, Mei-Yu                       | 0                         | 0  | 0           | 0  | 257                                  | 257  | 120   | 120  | 377 (0.12)                                       | 377 (0.12)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 377 (0.12)   | 377 (0.12)    | None   |
| Director             | Huang, Feng-Yih                   | 0                         | 0  | 0           | 0  | 257                                  | 257  | 120   | 120  | 377 (0.12)                                       | 377 (0.12)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 377 (0.12)   | 377 (0.12)    | None   |
| Director             | Wang, Hui-O                       | 0                         | 0  | 0           | 0  | 257                                  | 257  | 120   | 120  | 377 (0.12)                                       | 377 (0.12)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 377 (0.12)   | 377 (0.12)    | None   |
| Director             | Tsai, Yu-Kung                     | 0                         | 0  | 0           | 0  | 116                                  | 116  | 70  | 70   | 186 (0.06)                                       | 186 (0.06)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 186 (0.06)   | 186 (0.06)    | None   |
| Director             | Hao-Qing Investment               | 0                         | 0  | 0           | 0  | 257                                  | 257  | 0   | 0  | 257 (0.08)                                       | 257 (0.08)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 257 (0.08)   | 257 (0.08)    | None   |
|                      | Representative: Sun, Yong-Lu      | 0                         | 0  | 0           | 0  | 0                                    | 0  | 120   | 120  | 120 (0.04)                                       | 120 (0.04)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 120 (0.04)   | 120 (0.04)    | None   |
| Director             | Central Investment                | 0                         | 0  | 0           | 0  | 515                                  | 515  | 0   | 0  | 515 (0.16)                                       | 515 (0.16)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 515 (0.16)   | 515 (0.16)    | None   |
|                      | Representative: Chang, Yu-Jeng    | 0                         | 0  | 0           | 0  | 0                                    | 0  | 120   | 120  | 120 (0.04)                                       | 120 (0.04)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 120 (0.04)   | 120 (0.04)    | None   |
|                      | Representative: Lin, Yue-Hong     | 0                         | 0  | 0           | 0  | 0                                    | 0  | 120   | 120  | 120 (0.04)                                       | 120 (0.04)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 120 (0.04)   | 120 (0.04)    | None   |
| Director             | Kao Fong Machinery                | 0                         | 0  | 0           | 0  | 257                                  | 257  | 0   | 0  | 257 (0.08)                                       | 257 (0.08)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 257 (0.08)   | 257 (0.08)    | None   |
|                      | Representative: Sheng, Chien-Chih | 0                         | 0  | 0           | 0  | 0                                    | 0  | 120   | 120  | 120 (0.04)                                       | 120 (0.04)   | 4,069   | 4,069  | 224         | 224 | 360  | 0 | 360         | 0  | 4,773 (1.46)   | 4,773 (1.46)  | None   |
| Independent Director | Chueh, Ming-Fu                    | 420                       | 420  | 0           | 0  | 0                                    | 0  | 60  | 60   | 480 (0.15)                                       | 480 (0.15)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 480 (0.15)   | 480 (0.15)    | None   |
| Independent Director | Cheng, Wen-Zheng                  | 420                       | 420  | 0           | 0  | 0                                    | 0  | 60  | 60   | 480 (0.15)                                       | 480 (0.15)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 480 (0.15)   | 480 (0.15)    | None   |
| Independent Director | Liu, Zheng-Huai                   | 420                       | 420  | 0           | 0  | 0                                    | 0  | 60  | 60   | 480 (0.15)                                       | 480 (0.15)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 480 (0.15)   | 480 (0.15)    | None   |
| Independent Director | Zhuang, Bo-Nian                   | 210                       | 210  | 0           | 0  | 0                                    | 0  | 30  | 30   | 240 (0.07)                                       | 240 (0.07)   | 0   | 0  | 0           | 0   | 0  | 0 | 0           | 0  | 240 (0.07)   | 240 (0.07)    | None   |

- 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".
- 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.<br>(Representative: Chang, Yu-Jeng, Lin, Yue-Hong)<br>Kao Fong Machinery Co., Ltd.<br>(Representative: Sheng, Chien-Chih)<br>Hao-Qing Investment Ltd.<br>(Representative: Sun, Yong-Lu)<br>Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Zhuang, Bo-Nian | Sheng, Kuo-Jung, Lin, Yen-Huey, Lin, Mei-Yu Wang, Hui-O, Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd.<br>(Representative: Chang, Yu-Jeng, Lin, Yue-Hong)<br>Kao Fong Machinery Co., Ltd.<br>(Representative: Sheng, Chien-Chih)<br>Hao-Qing Investment Ltd.<br>(Representative: Sun, Yong-Lu)<br>Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Zhuang, Bo-Nian | Lin, Mei-Yu, Wang, Hui-O<br>Huang, Feng-Yih, Tsai, Yu-Kung<br>Central Investment Co., Ltd.<br>(Representative: Chang, Yu-Jeng, Lin, Yue-Hong)<br>Hao-Qing Investment Ltd.<br>(Representative: Sun, Yong-Lu)<br>Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Zhuang, Bo-Nian | Lin, Mei-Yu, Wang, Hui-O<br>Huang, Feng-Yih, Tsai, Yu-Kung<br>Central Investment Co., Ltd.<br>(Representative: Chang, Yu-Jeng, Lin, Yue-Hong)<br>Hao-Qing Investment Ltd.<br>(Representative: Sun, Yong-Lu)<br>Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Zhuang, Bo-Nian |
| 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.<br>(Representative: Sheng, Chien-Chih)  | Kao Fong Machinery Co., Ltd.<br>(Representative: Sheng, Chien-Chih)  |
| NTD 5,000,000(incl.) ~ NTD 10,000,000(under)                       | —  | —  | Lin, Yen-Huey  | —  |
| NTD 10,000,000 (incl.) ~ NTD 15,000,000 (under)                    | —  | —  | Sheng, Kuo-Jung  | Sheng, Kuo-Jung, Lin, Yen-Huey   |
| 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  | 14   | 14   | 14   | 14   |

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)<br>(Note2) |   | Pension (B)    |   | Bonus and<br>Special Allowance, etc.<br>(C)<br>(Note 3) |  | Amount of Employees' Compensation<br>(D)<br>(Note 4) |                 |  |                 | Sum of A+B+C+D and<br>ratio to net income<br>(Note8) |   | Remuneration<br>Claimed from<br>Re-Invested<br>Business of<br>Subsidiary or<br>Parent<br>Company<br>(Note9) |
|-------------------|-------------------|-----------------------|---|----------------|---|---|--|--|-----------------|--|-----------------|--|---|---|
|                   |                   | The<br>Company        | All<br>Companies<br>included in<br>Financial<br>Report<br>(Note5) | The<br>Company | All<br>Companies<br>included in<br>Financial<br>Report<br>(Note5) | The<br>Company  | All<br>Companies<br>included in<br>Financial<br>Report<br>(Note 5) | The Company  |                 | All Companies<br>included in<br>Financial Report<br>(Note 5) |                 | the<br>Company                                       | All<br>Companies<br>included in<br>Financial<br>Report<br>(Note6) |   |
|                   |                   |                       |   |                |   |   |  | Cash<br>Amount                                       | Stock<br>Amount | cash<br>Amount   | Stock<br>Amount |  |   |   |
| President         | Chen, Chun-Chih   | 6,276                 | 6,276   | 317            | 317   | 0   | 0  | 500  | 0               | 500  | 0               | 7,093<br>(2.17)                                      | 7,093<br>(2.17)   | None  |
| CEO               | Sheng, Chien-Chih | 4,069                 | 4,069   | 224            | 224   | 0   | 0  | 360  | 0               | 360  | 0               | 4,653<br>(1.42)                                      | 4,653<br>(1.42)   | None  |
| Vice<br>President | Shen, Shui-Hsiang | 2,320                 | 2,320   | 127            | 127   | 0   | 0  | 250  | 0               | 250  | 0               | 2,697<br>(0.82)                                      | 2,697<br>(0.82)   | None  |
| Vice<br>President | Sun, Cheng-Zhi    | 2,077                 | 2,077   | 119            | 119   | 0   | 0  | 250  | 0               | 250  | 0               | 2,446<br>(0.75)                                      | 2,446<br>(0.75)   | 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, Sun, Cheng-Zhi | Shen, Shui-Hsiang, Sun, Cheng-Zhi                     |
| NTD 3,500,000(incl.) ~ NTD 5,000,000(under)   | Sheng, Chien-Chih                 | Sheng, Chien-Chih                                     |
| 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-subsidiary 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-subsidiary re-invested businesses or the Parent Company, the remuneration relevant to non-subsidiary 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-subsidiary 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 |
| 2023 | 40,585   | 45,003                                   | 12.40   | 13.75                                    |
| 2022 | 34,621   | 38,410                                   | 5.55  | 6.16                                     |

- (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(Note1)    | Name(Note1)       | Stock Amount | Cash Amount | Total | Proportion of Total to Net Profit After Tax ( % ) |
|----------|----------------|-------------------|--------------|-------------|-------|---|
| Managers | President      | Chen, Chun-Chih   | 0            | 2,936       | 2,936 | 0.4705  |
|          | 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        |  |  |  |  |
|  | Manager                          | Chen, Jia-Xin      |  |  |  |  |
|  | Manager                          | Hsu, Lung-Cheng    |  |  |  |  |
|  | Assistant Manager                | Huang Wu, Xiu-Yang |  |  |  |  |
|  | Accounting Department Supervisor | Chen, Chang-Yuan   |  |  |  |  |

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 2023, 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   | 5  | 0                            | 100%   | Re-elected |
| Director             | Lin, Mei-Yu   | 5  | 0                            | 100%   | Re-elected |
| Director             | Huang, Feng-Yih   | 5  | 0                            | 100%   | Re-elected |
| Director             | Kao Fong Machinery Co., Ltd.<br>Representative: Sheng, Chien-Chih | 5  | 0                            | 100%   | Re-elected |
| Director             | Central Investment Co., Ltd.<br>Representative: Chang, Yu-Jeng    | 2  | 3                            | 40%  | Re-elected |
| Director             | Central Investment Co., Ltd.<br>Representative: Lin, Yue-Hong     | 4  | 1                            | 80%  | Re-elected |
| Director             | Hao-Qing Investment Ltd.<br>Representative: Sun, Yong-Lu          | 5  | 0                            | 100%   | Re-elected |
| Director             | Wang, Hui-O   | 5  | 0                            | 100%   | Re-elected |
| Director             | Tsai, Yu-Kung   | 2  | 0                            | 100%   | Former     |
| Independent Director | Chueh, Ming-Fu  | 5  | 0                            | 100%   | Re-elected |
| Independent Director | Cheng, Wen-Zheng  | 5  | 0                            | 100%   | Re-elected |
| Independent Director | Liu, Zheng-Huai   | 4  | 1                            | 80%  | Re-elected |
| Independent Director | Zhuang, Bo-Nian   | 3  | 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 any supervisor is reelected before the end of the year, the new or former supervisors shall be listed, and the Remark column shall indicate whether an independent director is "former", "new" or "re-elected", and the date of election. Actual presence rate (%) shall be calculated by the number of board meetings convened and times of actual attendance (or of attendance as a non-voting participant) during the term of service.

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 |
|-------------------------|---|---------------------------------------|--|
| 2023/03/16              | 1. To Review the List of Candidates for Directors of the Company.   | Agree                                 | Passed as Proposed   |
|                         | 2. Removal on Con-Competing Limitations to the Company's Directors and Independent Director.                                | Agree                                 | Passed as Proposed   |
|                         | 3. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD..           | Agree                                 | Passed as Proposed   |
|                         | 4. Amendment of certain clauses of "Procedures for Shareholders' Meetings" submitted.                                       | Agree                                 | Passed as Proposed   |
|                         | 5. Amendment of certain clauses of the "Articles of association"  | Agree                                 | Passed as Proposed   |
| 2023/05/11              | 1. Motion for the change of Appointment and Independence Assessment of the Company's CPAs from the second quarter of 2023.  | Agree                                 | Passed as Proposed   |
|                         | 2. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.                                      | Agree                                 | Passed as Proposed   |
|                         | 3. Motion for the spin off the entire machinery department as a wholly-owned subsidiary - Hotatech, Inc. Takawa Seiki, Inc. |                                       |  |
| 2023/8/10               | 1. Renewal for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.                | Agree                                 | Passed as Proposed   |
|                         | 2. Motion for the amendments to part of the provisions of the Company's "Remuneration Committee Charter "                   | Agree                                 | Passed as Proposed   |
|                         | 3. Motion for the establishment of a plant in US.   | Agree                                 | Passed as Proposed   |
| 2023/11/9               | 1. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd..  | Agree                                 | Passed as Proposed   |
|                         | 2. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD..           | 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 2023 and reported the results to the Board of Directors at its first quarter meeting in 2024 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.93 out of 5. The weighted average score for the performance of the individual directors is 4.96 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   | 2023/01/01-2023/12/31     | All Board of Directors      | Board of Directors Internal Self Appraisal                     | A. Level of Involvement to the Company's Operations<br>B. Facilitating Decision-Making Quality by the Board of Directors<br>C. Composition and Structure of the Board of Directors<br>D. Elections and Continued Training of Director<br>E. Internal Control                  | Evaluation Result:4.93 |
| Conducted once every year   | 2023/01/01-2023/12/31     | Each Director member        | Self-Appraisals by Directors                                   | A. Holding of Company Goals and Missions<br>B. Recognition of Directors' Duties<br>C. Level of Involvement to the Company's Operations<br>D. Internal Relationship Management and Communications<br>E. Directors' Professional and Continuing Training<br>F. Internal Control | Evaluation Result:4.96 |
| Conducted once every year   | 2023/01/01-2023/12/31     | Functional committee        | Self-Appraisals by Audit Committee Directors                   | A. Level of Involvement to the Company's Operations<br>B. Recognition of Directors' Duties<br>C. Decision-Making Quality by the functional committee<br>D. functional committee composition and member selection<br>E. Internal Control                                       | Evaluation Result:4.95 |
| Conducted once every year   | 2023/01/01-2023/12/31     | Functional committee        | Self-Appraisals by Salary and Compensation Committee Directors | A. Level of Involvement to the Company's Operations<br>B. Recognition of Directors' Duties<br>C. Decision-Making Quality by the functional committee<br>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 2023, 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   | 4                               | 0                            | 100%   | Re-elected |
| Independent Director | Cheng, Wen-Zheng | 4                               | 0                            | 100%   | Re-elected |
| Independent Director | Liu, Zheng-Huai  | 3                               | 1                            | 75%  | Re-elected |
| Independent Director | Zhuang, Bo-Nian  | 2                               | 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: If an independent director is elected before the end of the year, incoming and outgoing independent directors shall be listed accordingly, and the Remark column shall indicate whether the status of an independent director is "outgoing", "incoming" or "re-elected", and the date of election. Actual presence rate (%) shall be calculated by the number of Audit Committee meetings convened and times of actual presence during the term of service.

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

- Fair Presentation of the Company's Financial Reports.
- Selection (Dismissal) and Independence and Performance of the CPA.
- Effective Enforcement of the Company's Internal Control.
- The Company's Compliance with Relevant Laws and Regulations and Rules.
- 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 |
|-------------------------|--|---------------------------------------|--|
| 2023/03/16              | <ol style="list-style-type: none"> <li>To Review 2022 Business Report, Parent-Company Only Financial Report and Consolidated Financial Report.</li> <li>To Present 2022 Internal Control System Statement.</li> <li>Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD..</li> <li>Amendment of certain clauses of "Procedures for Shareholders' Meetings" submitted.</li> <li>Amendment of certain clauses of the "Articles of association"</li> </ol> | Agree                                 | Passed as Proposed   |
| 2023/05/11              | <ol style="list-style-type: none"> <li>To review the Consolidated Financial Report of Q1 2023.</li> <li>Motion for the change of Appointment and Independence Assessment of the Company's CPAs from the second quarter of 2023.</li> <li>To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.</li> <li>Motion for the spin off the entire machinery department as a wholly-owned subsidiary - Hotatech, Inc. Takawa Seiki, Inc.</li> </ol>  | Agree                                 | Passed as Proposed   |

|            |   |       |                    |
|------------|---|-------|--------------------|
| 2023/08/10 | 1. To review the Consolidated Financial Report of Q2 2023.<br>2. Renewal for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.<br>3. Motion for the amendments to part of the provisions of the Company's "Remuneration Committee Charter"<br>4. Motion for the establishment of a plant in US. | Agree | Passed as Proposed |
| 2023/11/09 | 1. To review the Consolidated Financial Report of Q3 2023.<br>2. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd.<br>3. Proposed loan to sub-subsidiary HOWON POWERTRAIN CO., LTD.  | Agree | Passed as Proposed |

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 2023 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, 2024. | (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, 2024) 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) The specific situation of corporate governance personnel training in 2023 is as follows:</p> <ol style="list-style-type: none"> <li>2023.05.23, the Course Name: Promotion Conference on Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies (3 hours)</li> <li>2023.09.19, the Course Name: 「A Risk-Based Perspective On Corporate Sustainability Governance – From Corporate Governance to ESG」 (3 hours)</li> <li>2023.11.09, the Course Name: Practical Introduction to Hostile Takeover (3 hours)</li> <li>2023.11.09, the Course Name: Challenges of Controlled Foreign Corporation (CFC) Regulations (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 standards, implementation of customer policies, the Company's insuring of liability insurance for directors and supervisors, etc.)?   | ✓                        |    | (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) 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.  | (2) 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  | (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   |  |
|  | ✓                        |    | and Spokesperson contact information on the Company's website to maintain communication and rapport between the Company and shareholders<br>(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.   | (4) 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. | (5) 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):<br>1. 2023.11.09, the Course Name: Practical Introduction to Hostile Takeover (3 hours)<br>2. 2023.11.09, the Course Name: Challenges of Controlled Foreign Corporation (CFC) Regulations (3 hours)  | (6) 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.  | (7) 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.   | (8) 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) No Material Disparity.   |
| 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)<br>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 2023 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 four 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<br>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 p15-p17. | 2   |
| Independent Director            | Chueh, Ming-Fu   |   | 0   |
| Independent Director            | Cheng, Wen-Zheng |   | 1   |
| Independent Director            | Zhuang, Bo-Nian  |   | 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 four members.

B. Term of this Committee: June 13, 2023 to June 12, 2026. In 2023, 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%                                    | Re-elected |
| Independent Director | Chueh, Ming-Fu   | 2                               | 0                            | 100%                                    | Re-elected |
| Independent Director | Cheng, Wen-Zheng | 2                               | 0                            | 100%                                    | Re-elected |
| Independent Director | Zhuang, Bo-Nian  | 1                               | 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<br>Date | Contents of Proposals  | Opinions by All Independent Directors | Handling of the Independent Directors' Opinions by the Company |
|----------------------------|--|---------------------------------------|--|
| 2023/03/16                 | 1. Review on 2022 Board of Directors Performance Appraisal<br>2. Review on Rectification of the Company's Distributions of Directors' Compensation, Manager (Employee) Compensation and Year-End Bonus in 2022.<br>3. List of Managers Applicable for Salary and Compensation Review | Agree                                 | Passed as Proposed   |
| 2023/11/09                 | Motion of the Company's Executives Remuneration and Bonus Disbursement   | 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

| Promote projects   | Execution situation (Note1) |    |   | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |
|--|-----------------------------|----|---|---|
|  | 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.<br>Complete and disclose the previous annual report on sustainability.<br>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.<br>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.<br>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 energy use efficiency with expands the use of renewable energy. The   | (2) No material disparity.  |

| Promote projects  | Execution situation (Note1)   |   |   | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |                 |                 |                        |                               |  |                           |   |                            |
|---|-------------------------------|---|---|---|-----------------|-----------------|------------------------|-------------------------------|--|---------------------------|---|----------------------------|
|   | 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?   | √                             |   | <div>emission reduction results are disclosed in the Sustainability Report annually.</div> <div>(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.</div> <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 climate factors such as hurricanes in the United States and low water levels in the Panama Canal, 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 climate factors such as hurricanes in the United States and low water levels in the Panama Canal, 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 climate factors such as hurricanes in the United States and low water levels in the Panama Canal, 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? | √                             |   | <div>(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.</div> <div>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.</div> <div>2. The Company has been concerned about the issue of energy conservation and environmental protection of water resources for many years. The water</div>  | (4) No material disparity.  |                 |                 |                        |                               |  |                           |   |                            |

| Promote projects  | Execution situation (Note1) |    |   | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|-----------------------------|----|---|---|
|   | Yes                         | No | Summary Descriptions  |   |
|   |                             |    | <p>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, Gender Equality in Employment Act, 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 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>   | (2) No material disparity.  |

| Promote projects   | Execution situation (Note1) |    |  | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |
|--|-----------------------------|----|--|---|
|  | 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>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 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</p> | (3) No material disparity.  |

| Promote projects   | Execution situation (Note1) |    |  | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |
|--|-----------------------------|----|--|---|
|  | Yes                         | No | Summary Descriptions   |   |
| (4) Has the Company established an effective career development training program for employees?  | √                           |    | <p>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>The number of employee occupational accidents in 2023 is 12 (including 2 traffic accidents). In addition to relevant education and training for occupational accidents in the factory, hazard risks will also be identified based on the occupational accidents and relevant improvement measures will be taken; for traffic accidents The Occupational Disaster Association provides transportation-related education and training to employees.</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 2023, 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.  |

| Promote projects  | Execution situation (Note1) |    |  | Differences and reasons from the Code of Practice for Sustainable Development of Listed OTC Companies |
|---|-----------------------------|----|--|---|
|   | 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 in the company's sustainability report has been third-party verified by the sustainability team based on the AA 1000 AS v3 first application type moderate assurance level and the application indicators of GRI Sustainability Reporting Standards (GRI STANDARDS) 2021. | 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. Implementation status

| Items  | Execution situation  |
|--|--|
| 1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.  | According to the regulations of the Taiwan Stock Exchange and the Taipei Exchange, starting from May 2022, the schedule for greenhouse gas inventory and verification will be reported quarterly to the board of directors for control.                                |
| 2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the Company (short-term, medium-term, long-term).  | As of the publication date of the annual report, the Company has not yet completed the identification of climate risks and opportunities. The relevant content will be disclosed on the Company's official website upon completion.                                    |
| 3. Describe the financial impact of extreme weather events and transformative actions.   | As of the publication date of the annual report, the Company has not yet completed the assessment of the financial impacts of extreme weather events and transition actions. The relevant content will be disclosed on the Company's official website upon completion. |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.  | As of the publication date of the annual report, the Company has not completed the identification, assessment and management process of climate risks. The relevant content will be disclosed on the Company's official website upon completion.                       |
| 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.   | Still under evaluation.  |
| 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.   | Still under evaluation.  |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.  | Still under evaluation.  |
| 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified. | Still under evaluation.  |
| 9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below).  | As of the publication date of the annual report, the Company does not meet certain conditions, so it is not applicable.  |

### 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

#### 1-1-1 Greenhouse Gas Inventory Information

|  |
|--|
| Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.   |
| According to jin guan zheng fa zi No. 11203852314 of the Financial Supervisory Commission on November 3, 2023, the Company is currently an TPEx-listed Company with a paid-in capital of less than NT\$5 billion. The company will complete the disclosure in accordance with the timetable specified by the competent authority |

#### 1-1-2 Greenhouse Gas Assurance Information

|  |
|--|
| Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.  |
| According to jin guan zheng fa zi No. 11203852314 of the Financial Supervisory Commission on November 3, 2023, the Company is currently an TPEx-listed Company with a paid-in capital of less than NT\$5 billion. The company will complete the disclosure in accordance with the timetable specified by the competent authority |

### 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

|  |
|--|
| Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.   |
| According to jin guan zheng fa zi No. 11203852314 of the Financial Supervisory Commission on November 3, 2023, the Company is currently an TPEx-listed Company with a paid-in capital of less than NT\$5 billion. The company will complete the disclosure in accordance with the timetable specified by the competent authority |



7. Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reasons Thereof:

| 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  |  |
| 1. Formulating Ethical Management Policies and Plans  |                         |    |   |  |
| (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?   | ✓                       |    | (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.   | (1) No material disparity.   |
| (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? | ✓                       |    | (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. | (2) No material disparity.   |
| (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?  | ✓                       |    | (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.  | (3) No material disparity.   |
| 2. Fulfilling Ethical Management  |                         |    |   |  |
| (1) Has the Company assessed the ethics records of its counterparties and specify the ethical conduct clauses in the contracts signing with its counterparties?   | ✓                       |    | (1) The Company has assessed the ethics records of its counterparts and has not found any specific records of unethicalness in the transactions.  | (1) No material disparity.   |
| (2) Has the Company set up a dedicated unit to promote corporate ethical management under the Board of Directors, who regularly   | ✓                       |    | (2) The Company's promotion and audit of ethical management is mainly conducted by internal auditors on a regular basis, with   | (2) 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   |  |
| (at least once a year) report to the Board of Directors on its ethical 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<br>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.

8. 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>.
9. 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.

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

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

Date: March 14, 2024

The statement concerning the Company's 2023 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, 2023 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 14, 2024, 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.

11. In the most recent fiscal year and as of the publication date of this Annual Report, any disciplinary measures taken against the company or its internal staff according to law or taken by the company against its staff due to violations of the internal control system, the main deficiency and improvement: No such occurrence in the Company.
12. 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  |
|--------------|-------------------------------|--|
| 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> <li>11. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD</li> <li>12. Amendment of certain clauses of "Procedures for Shareholders' Meetings" submitted.</li> <li>13. Amendment of certain clauses of the "Articles of association"</li> <li>14. The Company's Applicable Manager Change and Salary Plans.</li> </ol> <p><u>Resolution Status:</u><br/> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended.<br/> Opinions of Independent Directors: None.<br/> Handling of Independent Directors' Opinions by the Company: None.<br/> Resolution: adopted by passage from all attending directors.</p> |
| 2023/05/11   | Board of Directors            | <ol style="list-style-type: none"> <li>1. To review the Company's Consolidated Financial Report of 2023 1st quarter.</li> <li>2. Motion for the change of Appointment and Independence Assessment of the Company's CPAs from the second quarter of 2023.</li> <li>3. Application of funding credit line to financial institutions by the Company.</li> <li>4. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.</li> <li>5. Motion for the spin off the entire machinery department as a wholly-owned subsidiary - Hotatech, Inc. Takawa Seiki, Inc.</li> </ol> <p><u>Resolution Status:</u><br/> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended.<br/> Opinions of Independent Directors: None.<br/> Handling of Independent Directors' Opinions by the Company: None.<br/> Resolution: adopted by passage from all attending directors.</p>  |
| 2023/06/13   | Regular Shareholders' Meeting | <p>Matters for Report:</p> <ol style="list-style-type: none"> <li>1. 2022 Business Report.</li> <li>2. Audit Committee Review in 2022 financial statements.</li> <li>3. Report on Distribution of Employees' Compensation and Directors' Compensation in 2022.</li> <li>4. Report on fund loan and endorsement guarantee.</li> </ol> <p><u>Status of Subsequent Implementation:</u><br/> Employees' and Directors and Supervisors' Compensation of 2022 has been adopted by the Board of Directors through resolution and distributed on July 28, 2023.</p> <p>Matters for Rectification:</p> <ol style="list-style-type: none"> <li>1. To Ratify financial statements of 2022.</li> <li>2. To Ratify Retained Earnings Distribution of 2022.</li> </ol> <p><u>Status of Subsequent Implementation:</u><br/> The Retained Earnings Distribution of 2022 has, following passage by the shareholders' meeting, distributed in wire transfer or checks denoting</p>   |

| Meeting Date | Meeting Type       | Important Resolutions  |
|--------------|--------------------|--|
|              |                    | “Nonnegotiable” delivered via registered mails by Agency for Stock Affairs, MasterLink Securities Co., Ltd. under commission on July 28, 2023.   |
|              |                    | Matters for Discussion I:<br>1. Amendment of certain clauses of the “Articles of association”.<br>2. Amendment of certain clauses of “Procedures for Shareholders’ Meetings” submitted.  |
|              |                    | Election matters:<br>Directors re-election   |
|              |                    | Matters for Discussion II:<br>Discussion on lifting director's non-compete clause in the Company.  |
| 2023/6/13    | Board of Directors | By-election of the Company’s Chairman and Vice Chairman.<br><u>Resolution Status:</u><br>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng, Zhuang, Bo-Nian have all attended.<br>Opinions of Independent Directors: None.<br>Handling of Independent Directors’ Opinions by the Company: None.<br>Resolution: adopted by passage from all attending directors.  |
| 2023/08/10   | Board of Directors | 1. To review the Company’s Consolidated Financial Report of 2023 2nd quarter.<br>2. Application of funding credit line to financial institutions by the Company.<br>3. Application for offering endorsement and guarantee to the Company’s sub-subsidiary HOWON POWERTRAIN CO., LTD.<br>4. Motion for the amendments to part of the provisions of the Company’s “Remuneration Committee Charter”<br>5. To appoint the Company’s Salary and Compensation Committee Members.<br>6. Motion for the establishment of a plant in US.<br><u>Resolution Status:</u><br>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Cheng, Wen-Zheng and Zhuang, Bo-Nian have attended.<br>Opinions of Independent Directors: None.<br>Handling of Independent Directors’ Opinions by the Company: None.<br>Resolution: adopted by passage from all attending directors.  |
| 2023/11/09   | Board of Directors | 1. To review the Company’s Consolidated Financial Report of 2023 3 <sup>rd</sup> quarter.<br>2. Application of funding credit line to financial institutions by the Company.<br>3. To make loan of funds to the Company’s supplier Jian-Li Enterprise Co., Ltd.<br>4. Application for offering endorsement and guarantee to the Company’s sub-subsidiary HOWON POWERTRAIN CO., LTD.<br>5. The Company’s Audit Plans for 2024.<br>6. To Ratify the distribution of Company’s Managers’ and Employees’ Compensation and Bonus.<br>7. Proposal of the Company's Fiscal Year 2024 Planned Operating Income Budget<br><u>Resolution Status:</u><br>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng, Zhuang, Bo-Nian have all attended.<br>Opinions of Independent Directors: None.<br>Handling of Independent Directors’ Opinions by the Company: None.<br>Resolution: adopted by passage from all attending directors.   |
| 2024/03/14   | Board of Directors | 1. Time, Location and Meeting Procedure for the Company’s 2024 Regular Shareholders’ Meeting.<br>2. To review the Company’s Business Report, Parent-Company Only Financial Report and Consolidated Financial Report of 2023.<br>3. The Company’s Internal Control System Statement of 2023.<br>4. To evaluate the Independence of CPAs of the Company.<br>5. The Company’s Retained Earnings Distribution of 2023.<br>6. Amendment of certain clauses of the “Articles of association”<br>7. Distribution of Employees’ Compensation and Directors’ Compensation the Company of 2022.<br>8. Motion of the Appointment of New Accounting Director<br>9. Motion of Change in Corporate Governance Manager<br>10. To determine the appropriateness of hedging exchange rate risks through the use of financial derivatives instruments in 2024.<br>11. To Ratify the Company’s application for credit of line for funding to financial institutions.<br>12. The Company’s Applicable Manager Change and Salary Plans. |

| Meeting Date | Meeting Type | Important Resolutions  |
|--------------|--------------|--|
|              |              | 13. Motion of the Company's Proposal to Issue the Fourth Domestic Unsecured Convertible Bonds<br><u>Resolution Status:</u><br>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng, Zhuang, Bo-Nian have all attended.<br>Opinions of Independent Directors: None.<br>Handling of Independent Directors' Opinions by the Company: None.<br>Resolution: adopted by passage from all attending directors. |

13. 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.

14. Any Resignation or Dismissal of the Company's Chairman, President, Accounting Manager, Financial Executive, Internal Audit Manager, and Research and Development Executive during the Most Recent Year up to the Publication Date of the Annual Report:

| Role                            | Name               | Date of Assumption | Date of Dismissals | Reasons of resignations or dismissals               |
|---------------------------------|--------------------|--------------------|--------------------|---|
| Accounting Manager              | Chen, Chang-yuan   | 2021/11/10         | 2024/02/01         | Resignation(Change of duty between related company) |
| Corporate Governance Supervisor | Chen, Chang-yuan   | 2021/11/10         | 2024/02/01         | Resignation(Change of duty between related company) |
| Internal Audit Supervisor       | Huang Wu, Xiu-Yang | 2,001/10/26        | 2024/05/28         | Retire  |

#### (V) Information on the professional fees of the attesting CPAs :

##### 1. Information on CPA (External Auditor) Professional Fees

Amount Unit: NTD Thousand

| Name of Accounting Firm | Name of CPA                      | Auditing Period of the CPA | Public Expenses for Audit | Non-Public Expenses for Audit | Total | Remarks   |
|-------------------------|----------------------------------|----------------------------|---------------------------|-------------------------------|-------|---|
| PwC Taiwan              | Wu, Sung-Yun<br>Hsu, Chien-Yeh   | 2023.01.01-<br>2023.03.31  | 1,700                     | 549                           | 2,249 | Transfer Pricing Fees at NTD 272 Thousand;<br>Traavel Expense at NTD 97 Thousand; Business<br>Registration at NTD 180 Thousand. |
| Ernst & Young<br>Taiwan | Huang, Zi-Ping<br>Huang, Yu-Ting | 2023.04.01-<br>2023.12.31  | 1,454                     | 174                           | 1,628 | Sustainability Report at NTD150 Thousand;<br>Traavel Expense at NTD 24 Thousand.  |

Note: If the company changed its CPAs or accounting firm during the fiscal year, list the audit periods before and after the change separately, and specify the reason for the change in the "Remarks" column and disclose sequentially the audit and non-audit fees paid. For non-audit fees, additionally specify the content of the services

- Where the CPA firm was replaced, and the audit fees in the fiscal year when the replacement was made was less than that in the previous fiscal year before replacement, the amount of audit fees paid before replacement and reasons for paying this amount : No such occurrence in the Company.
- When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed : No such occurrence in the Company.

**(VI) Information on Replacement of Certified Public Accountants:**

1. Information on former CPA

|  |  |     |                                    |
|--|--|-----|------------------------------------|
| Replacement date   | May 11, 2023 (Resolution made by the Board of Directors)   |     |                                    |
| Replacement cause and explanation  | Due to business and management needs, the company will voluntarily terminate the appointment of the original certified accountant, and from the second quarter of 2023, it will be replaced by PwC Taiwan to Ernst & Young Taiwan. |     |                                    |
| A statement is the termination or non-acceptance of the appointment by the CPA                                 | Signatory  | CPA | Appointee                          |
|  | Situation  |     |                                    |
|  | Proactive termination of appointment   | -   | ✓                                  |
| Comments and reasons for issuing audit reports other than unqualified opinions within the last two years       | No further appointments will be accepted (continued)   | -   | -                                  |
|  | None   |     |                                    |
|  | None   |     |                                    |
| Any disagreement with the issuer   | Yes  |     | Accounting principles or practices |
|  |  |     | Disclosure of financial statements |
|  |  |     | Check scope or steps               |
|  |  |     | Other                              |
|  | None   | ✓   |                                    |
| Other Disclosure Matters (Items 1-4 to 1-7 of Article 10, Paragraph 6 of these Guidelines should be disclosed) | Description  |     |                                    |
|  | None   |     |                                    |

2. Successor CPA

|  |  |
|--|--|
| Firm name  | Ernst & Young Taiwan                                     |
| CPA name   | Huang, Zi-Ping and Huang, Yu-Ting                        |
| Appointed Date:  | May 11, 2023 (Resolution made by the Board of Directors) |
| Matters and results of consultation on the accounting treatment or accounting principles for specific transactions and on the possible issuance of financial statements prior to the appointment | None   |
| Written opinion of the successor accountant on matters of disagreement of the former accountant  | None   |

3. Reply letter from the former accountant on the items 1 and 2 of Article 10, paragraph 6 of this standard: None

**(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:

**(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

| Title                 | Name                              | 2023                           |                                  | As at March 31, 2024           |                                  |
|-----------------------|-----------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
|                       |                                   | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease | Shareholding Increase/Decrease | Pledged Shares Increase/Decrease |
| Chairman              | Sheng, Kuo-Jung                   | (33,197)                       | 0                                | 0                              | 0                                |
| Director              | Lin, Yen-Huey                     | 0                              | 100,000                          | 0                              | 0                                |
| Director              | Lin, Mei-Yu                       | 0                              | 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.      | 276,000                        | 0                                | 100,000                        | 0                                |
|                       | Representative: Sheng, Chien-Chih | 33,197                         | 0                                | 0                              | 0                                |
| Director              | Hao-Qing Investment Ltd.          | 0                              | 0                                | 0                              | 0                                |
|                       | Representative: Sun, Yong-Lu      | 0                              | 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                                |
| Independent Director  | Zhuang, Bo-Nian                   | 0                              | 0                                | 0                              | 0                                |
| President             | Chen, Chun-Chih                   | 0                              | 0                                | 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<br>(Note 1)   | Reason for<br>Stock Right<br>Transfer<br>(Note 2) | Transaction<br>Date | Trading<br>Counterpart | Relation of Trading<br>Counterpart to Directors,<br>Supervisors, Managerial<br>Officers and Shareholders<br>holding more than 10% of<br>the Outstanding Shares | Number<br>of<br>Shares | Trading<br>Price |
|--------------------|---|---------------------|------------------------|--|------------------------|------------------|
| Sheng,<br>Kuo-Jung | Disposition                                       | 2023/3/8            | Sheng,<br>Chien-Chih   | Sheng, Kuo-Jung<br>(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, 2024

| Name<br>(Note 1) | Reason for<br>Changes in<br>Pledge (Note<br>2) | Change Date | Trading Counterpart                         | Relation of Trading<br>Counterpart to<br>Directors,<br>Supervisors,<br>Managerial Officers<br>and Shareholders<br>holding more than<br>10% of the<br>Outstanding Shares | Number of<br>Shares | Shareholding<br>Ratio<br>(%) | Pledge<br>Ratio<br>(%) | Amount<br>Pledged<br>(Redeemed) |
|------------------|--|-------------|---|---|---------------------|------------------------------|------------------------|---------------------------------|
| Sheng, Kuo-Jung  | Pledge   | 2020/11/17  | Taipei Fubon Commercial<br>Bank Anhe Branch | None  | 1,500,000           | 1.37                         | 39.22                  | —                               |
| Lin, Yen-Huey    | Pledge   | 2014/9/29   | Taipei Fubon Commercial<br>Bank Anhe Branch | None  | 1,200,000           | 1.36                         | 99.26                  | —                               |
|                  |  | 2020/9/28   |   |   | 1,180,000           |                              |                        | —                               |
|                  |  | 2020/9/29   |   |   | 620,000             |                              |                        | —                               |
|                  |  | 2020/9/30   |   |   | 200,000             |                              |                        | —                               |
|                  |  | 2022/5/12   | Yuanta Commercial Bank<br>Co., Ltd.         | None  | 300,000             |                              |                        | —                               |
|                  |  | 2023/3/24   |   |   | 135,000             |                              |                        | —                               |
|                  |  | 2023/5/3    |   |   | 230,000             |                              |                        | —                               |
|                  |  | 2023/5/16   |   |   | 254,000             |                              |                        | —                               |
|                  | Redemption                                     | 2023/4/17   | Taipei Fubon Commercial<br>Bank Anhe Branch | None  | 225,000             |                              |                        | —                               |
|                  |  | 2023/5/15   |   |   | 220,000             |                              |                        | —                               |

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 15, 2024

| 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  |                         |
| Chien-Zhan Co., Ltd.           | 12,334,945            | 4.41               | —   | —                  | —                                | —                  | —  | —   | —                       |
| Representative: Shen, Chien-Yu | 15,000                | 0.01               | —   | —                  | —                                | —                  | Sheng, Kuo-Jung  | Sheng, Kuo-Jung is the father of the representative                                   | —                       |
| 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.                                       | —                       |
| Kao Fong Machinery Co., Ltd.   | 7,442,239             | 2.66               | —   | —                  | —                                | —                  | 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               | —   | —                  | —                                | —                  | —  | —   | —                       |
| 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.                                       | —                       |
| 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 |

|  |           |      |   |   |   |   |               |   |                         |
|--|-----------|------|---|---|---|---|---------------|---|-------------------------|
| Lin, Mei-Yu  | 3,266,000 | 1.17 |   |   |   |   | Lin, Yen-Huey | Lin, Yen-Huey is the brother of the Lin, Mei-Yu | Director of the company |
|  |           |      |   |   |   |   | Chen, Wei-Da  | Chen, Wei-Da is the son of the Lin, Mei-Yu      |                         |
| Vanguard Emerging Markets Stock Index Fund a series of vanguard international equity index funds | 3,310,178 | 1.18 | — | — | — | — | —             | —   | —                       |
| Chen, Wei-Da   | 2,745,000 | 0.98 |   |   |   |   | Lin, Yen-Huey | Lin, Mei-Yu is the mother of the Chen, Wei-Da   | —                       |
| Taiwan Life Insurance Co., Ltd.  | 2,716,923 | 0.97 |   |   |   |   | —             | —   | —                       |

(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<br>(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               | 20,034,625   | 18.55              | 20,873,503        | 19.33              |

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 15, 2024

| 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<br>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)<br>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<br>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 15, 2024

| Shareholder Structure<br>Quantity | Structure Quantity Government Institution | Banking Institutions | Other Legal Persons | Individuals | Foreign Institution or Foreigners | Total       |
|-----------------------------------|---|----------------------|---------------------|-------------|-----------------------------------|-------------|
| Number of R&D Personnel           | 0   | 14                   | 274                 | 55,844      | 160                               | 56,292      |
| Number of Shares Held (Share)     | 0   | 6,901,180            | 51,021,396          | 198,581,094 | 23,013,843                        | 279,517,513 |
| shareholding ratio (%)            | 0.00                                      | 2.47                 | 18.25               | 71.04       | 8.24                              | 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 15, 2024 (par value NT\$10 per share)

| Shareholder Ownership      | Number of Shareholders (People) | Number of Shares Held (share) | Shareholding Ratio (%) |
|----------------------------|---------------------------------|-------------------------------|------------------------|
| 1 ~ 999 Shares             | 26,374                          | 1,488,307                     | 0.533                  |
| 1,000 ~ 5,000 Shares       | 23,390                          | 46,742,221                    | 16.722                 |
| 5,001 ~ 10,000 Shares      | 3,404                           | 26,476,630                    | 9.472                  |
| 10,001 ~ 15,000 Shares     | 1,117                           | 14,107,021                    | 5.047                  |
| 15,001 ~ 20,000 Shares     | 623                             | 11,492,813                    | 4.112                  |
| 20,001 ~ 30,000 Shares     | 514                             | 12,868,878                    | 4.603                  |
| 30,001 ~ 40,000 Shares     | 249                             | 8,784,406                     | 3.143                  |
| 40,001 ~ 50,000 Shares     | 151                             | 6,964,362                     | 2.492                  |
| 50,001 ~ 100,000 Shares    | 274                             | 19,130,012                    | 6.844                  |
| 100,001 ~ 200,000 Shares   | 87                              | 11,831,413                    | 4.233                  |
| 200,001 ~ 400,000 Shares   | 50                              | 13,816,134                    | 4.943                  |
| 400,001 ~ 600,000 Shares   | 20                              | 9,619,483                     | 3.441                  |
| 600,001 ~ 800,000 Shares   | 7                               | 4,751,870                     | 1.700                  |
| 800,001 ~ 1,000,000 Shares | 6                               | 5,481,952                     | 1.961                  |
| More than 1,000,001 Shares | 26                              | 85,962,011                    | 30.754                 |
| Total                      | 56,292                          | 279,517,513                   | 100.000                |

### 6. List of Major Shareholders

April 15, 2024 (Unit: Share)

| Shares Name of Shareholder   | Shares | Number of Shares Held (share) | Shareholding Ratio (%) |
|--|--------|-------------------------------|------------------------|
| Chien-Zhan Co., Ltd.   |        | 12,334,945                    | 4.41                   |
| Zhong-Bu Investment Co., Ltd.  |        | 11,985,241                    | 4.29                   |
| Kao Fong Machinery Co., Ltd.   |        | 7,442,239                     | 2.66                   |
| Central Motor Co., Ltd.  |        | 7,398,108                     | 2.65                   |
| Sheng, Kuo-Jung  |        | 3,824,170                     | 1.37                   |
| Lin, Yen-Huey  |        | 3,802,174                     | 1.36                   |
| Lin, Mei-Yu  |        | 3,266,000                     | 1.17                   |
| Vanguard Emerging Markets Stock Index Fund a series of vanguard international equity index funds |        | 3,157,178                     | 1.13                   |
| Chen, Wei-Da   |        | 2,745,000                     | 0.98                   |
| Taiwan Life Insurance Co., Ltd.  |        | 2,716,923                     | 0.97                   |

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                        |   | 2022                                  | 2023    | As of March 31, 2024<br>(Note8) |
|------------------------------------|---|---------------------------------------|---------|---------------------------------|
| Market Price per Share<br>(Note 1) | Highest   | 98.50                                 | 76.40   | 60.00                           |
|                                    | Lowest  | 57.60                                 | 58.50   | 50.00                           |
|                                    | Average   | 77.73                                 | 67.80   | 54.07                           |
| Net Value per Share<br>(Note 2)    | Before Distribution   | 31.66                                 | 31.21   | 31.71                           |
|                                    | After Distribution  | 30.56                                 | Note9   | Not Applicable                  |
| Earnings per Share                 | Weighted Average Number of Shares (Attributable to Common Shares) | 279,518                               | 279,518 | 279,518                         |
|                                    | EPS(Note 3)   | 2.23                                  | 1.17    | 0.32                            |
| Dividend per Share                 | Cash Dividend   | 1.60                                  | Note 9  | Not Applicable                  |
|                                    | Bonus Shares  | Stock Dividend from Retained Earnings | Note 9  | Not Applicable                  |
|                                    |   | Stock Dividend from Capital Surplus   | Note 9  | Not Applicable                  |
|                                    | Cumulative Undistributed Dividend (NTD Thousand)(Note 4)          |                                       | Note 9  | Not Applicable                  |
| Analysis on RoE                    | Price–Earnings Ratio (Note5)                                      |                                       | 34.86   | 57.95                           |
|                                    | Price to Dividend Ratio(Note6)                                    |                                       | 48.58   | Note 9                          |
|                                    | Cash Dividend Yield (Note 7)                                      |                                       | 2.06    | 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 distribution by the Board of Directors shall be between 30% and 80% of the current year's earnings, 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 2023 on March 14, 2024, which proposes cash dividends of NT\$279,517,513.
  - 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 2023 Employees' Compensation and Directors' Compensation are estimated as follows:

| Distribution Items             | Amount     |
|--------------------------------|------------|
| Employees' Compensation (Cash) | 8,100,000  |
| Directors' Compensation (Cash) | 2,946,925  |
| Total                          | 11,046,925 |

- (3) Proposals on Distribution of Employees' Compensation and Directors' Compensation as adopted by the Board of Directors:

As per profit in 2023 and estimated at 2.18% and 0.79% respectively, the Board of Directors has resolved to distribute Employees' Compensation at NTD 8,100,000 and Directors' Compensation at NTD 2,946,925 in cash.

- (4) For the actual distribution of employee bonus and director remuneration for the last year (including number of shares distributed, amount and share price), if there is any difference with the recognized employee bonus stock and directors' remuneration, the amount of the difference, reasons and the way it was dealt should be explained.

A. Actual Distribution of the Employees' Bonus and Directors in the Preceding Year:

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

- B. Any differences between the above amounts and the recognized employee bonus stock and directors' remuneration should be explained, including the amount of the difference, reasons, and treatment: There was no difference.



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 | 10.02        |
| Automotive Gears and Axles | 86.85        |
| Others                     | 3.13         |
| 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. Components for Reductive Gears of Electric Cars.
- H. Parts for Hydraulic Systems of Satellites.
- I. Electromechanical system for Electric Cars.
- J. 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.

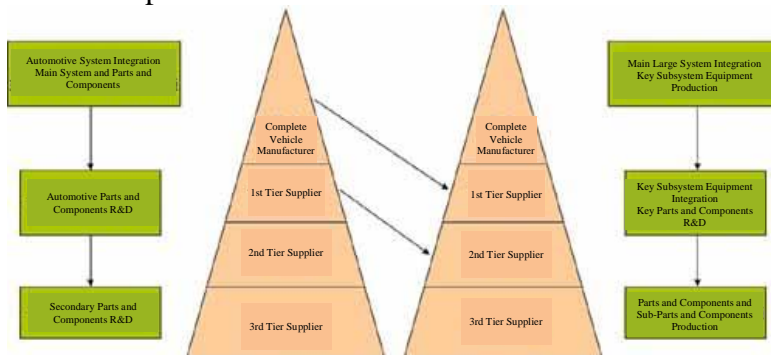
- F. US Patented Limited-slip Differential.
- G. Parts and Components for Air Compressors in Brake Systems for Trucks.
- H. Parts and Components for reductive drive of US Electric Cars and their assembly.
- I. Bevel gears, and assembly for bevel gear differentials.
- J. Epicyclic Gearing Sets for Gearbox of Hybrid Cars.
- K. Electric vehicle high-efficiency power transmission system assembly
- L. 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 in the electric vehicle industry is growth, with major international automotive manufacturers actively transitioning to the design and manufacturing of electric vehicle. This is likely to result in outsourcing orders, leading to a significant increase in external procurement demand. 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 46 R&D personnel up to the date of annual report publication, accounting for 4.62% 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 |
|---------|-------------|-------------------|---------------------------------|
| 2023    | 101,390     | 6,599,230         | 1.54%                           |
| Q1 2024 | 24,441      | 1,487,471         | 1.64%                           |

(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  |
|---------|---|
| 2022    | Reductive Drive Set and Gears for Electric Cars.<br>Parts of Torque Conversion System Sets and Differential Sets of Automobile.<br>Parts and Components of Aeronautics and Space Industry.<br>Bevel wheel.<br>Bevel wheel differential assembly.                        |
| 2023    | Reductive Drive Set and Gears for Electric Cars.<br>Parts of Torque Conversion System Sets and Differential Sets of Automobile.<br>Parts and Components of Aeronautics and Space Industry.<br>Electric motorcycle motor shaft parts.<br>Mid drive electric motor module |
| Q1 2024 | Automobile Drive Shaft<br>Parts and Components of Aeronautics and Space Industry.<br>Reductive Drive Set and Gears for Electric Cars.<br>Electric motorcycle motor shaft parts.<br>Mid-motor gear sets for electric bicycles<br>Heavy machinery rear axle               |

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 Phase 1 of 5th plant in 2022 and the Company expanded the new plant at 1088 Dali in 2023; 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 and introduction of MES system in the CTSP plant and Dali 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 13.15% of the total production amount of the Company, and 86.85% 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<br>Region | 2023      |         | 2022      |                |
|----------------|-----------|---------|-----------|----------------|
|                | Amount    | Amount  | Amount    | Proportion (%) |
| America        | 3,611,939 | 54.73%  | 4,108,941 | 55.99%         |
| China          | 543,810   | 8.24%   | 757,709   | 10.32%         |
| Taiwan         | 227,665   | 3.45%   | 296,370   | 4.04%          |
| Europe         | 1,753,084 | 26.57%  | 1,615,239 | 22.01%         |
| Other          | 462,732   | 7.01%   | 560,906   | 7.64%          |
| Total          | 6,599,230 | 100.00% | 7,339,165 | 100.00%        |

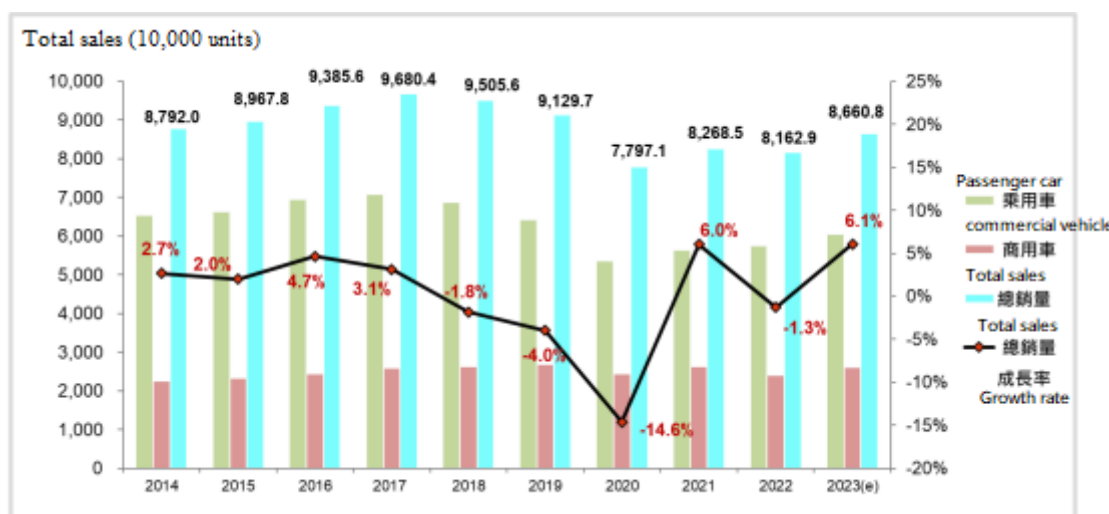
#### (2) Market Share

Motorcycle Gears and Axles produced by the Company in 2023 accounted for approximately 2.92% 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

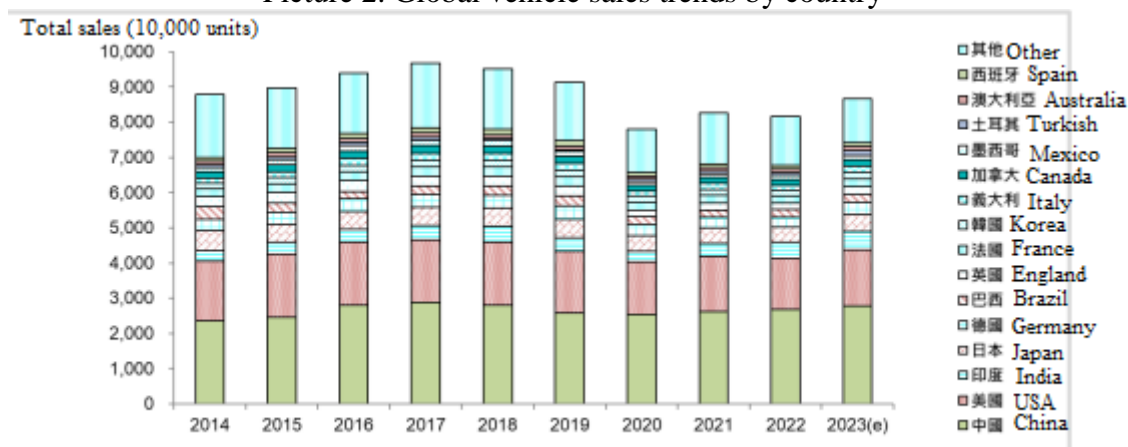
The global vehicle sales are estimated to reach 86.60 million, which increase by 6.1% in 2023. The leading causes were the easing of chip shortages and the abatement of the COVID-19 pandemic, most countries are generally experiencing growth. In addition, driven by net-zero carbon policies and affordable pricing, global electric vehicle sales are expected to exceed 20 million units in 2023, with a growth rate of over 25%. The total electric vehicle sales volume is estimated to account for 23.8% of the vehicles' market share. The global vehicle market will benefit from positive factors such as the easing of the pandemic, a variety of vehicle models, and affordable prices, will push the expected sales volume and EV market share to new highs in 2024.

Picture 1. Global vehicle sales trends



Source: OICA(2023/10); ITRI International Institute of Obstetrics(2023/10)

Picture 2. Global vehicle sales trends by country



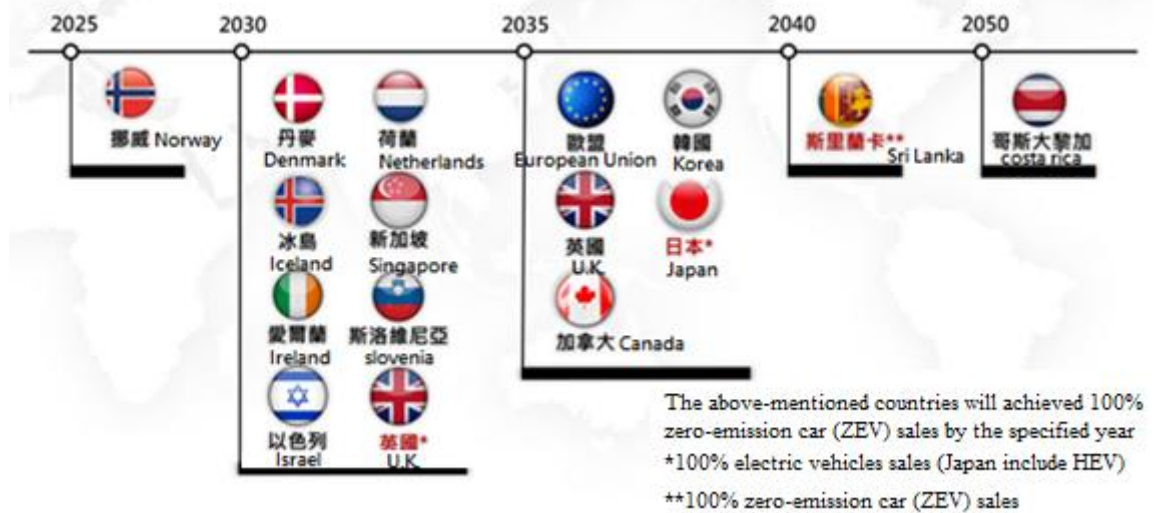
Source: OICA(2023/10); ITRI International Institute of Obstetrics(2023/10)

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

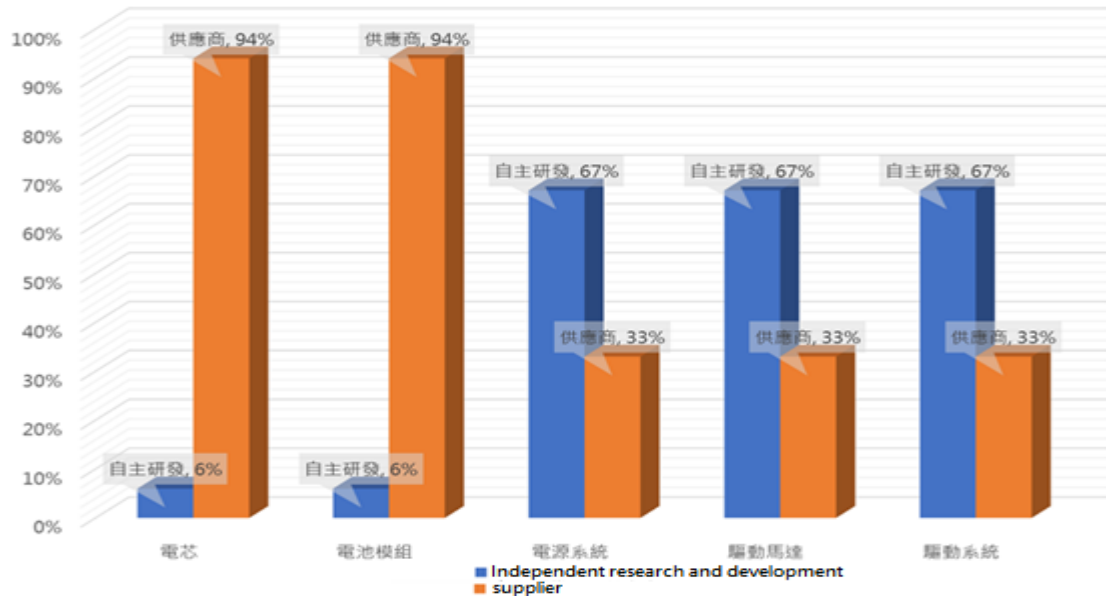


Source: International Energy Agency (IEA) , Organized by Vehicle Center

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 continues to grow. With various countries setting net-zero carbon targets and many automotive manufacturers aligning their goals accordingly, coupled with factors such as the gradual affordability of electric vehicles, the annual total sales volume is projected to exceed 23 million vehicles and continue to grow. The Company is a leading exporter of gears and shafts for domestic automobiles and motorcycles and one of the first manufacturers to transition into producing electric vehicle reduction gear mechanisms. The Company has a full understanding and grasp of customer demands. The Company has a deep-rooted experience in automotive drivetrain component development and possesses the capabilities for mass production and diversified product orders. In the era of fierce competition in the electric vehicle market, the performance and benefits of the Company 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 40 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

| 2022 |                         |           |                                 |                          | 2023                                     |           |                                 |                          | 2024 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 | 1,523,324 | 70.31                           | None                     | China Steel Corporation                  | 1,107,880 | 59.50                           | None                     | China Steel Corporation | 285,813 | 72.76  | None                     |
| 2    | Jan Fa Industrial       | 83,508    | 3.86                            | None                     | World Known Precision Industry Co., Ltd. | 50,076    | 2.69                            | None                     | Jan Fa Industrial       | 19,977  | 5.09   | None                     |
| 3    | Others                  | 559,626   | 25.83                           | None                     | Others                                   | 703,955   | 37.81                           | None                     | Others                  | 87,010  | 22.15  | None                     |
|      | Net Purchase            | 2,166,458 | 100                             | None                     | Net Purchase                             | 1,861,911 | 100                             | None                     | Net Purchase            | 392,800 | 100  | None                     |

\* 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

| 2022 |           |           |                                |                          | 2023      |           |                                |                          | 2024 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 | 2,643,914 | 36.02                          | None                     | Company A | 2,498,727 | 37.86                          | None                     | Company A     | 606,382   | 40.76  | None                     |
| 2    | Company B | 1,580,092 | 21.53                          | None                     | Company B | 1,847,669 | 28.00                          | None                     | Company B     | 450,524   | 30.29  | None                     |
| 3    | Others    | 3,115,159 | 42.45                          | None                     | Others    | 2,252,834 | 34.14                          | None                     | Others        | 430,565   | 28.95  | None                     |
|      | Net Sales | 7,339,165 | 100                            | None                     | Net Sales | 6,599,230 | 100                            | None                     | Net Sales     | 1,487,471 | 100.00   | None                     |

\* 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<br>Volume of Units Sold | 2022         |            |              | 2023         |            |              |
|----------------------------|------------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                            |                              | Productivity | Production | Output Value | Productivity | Production | Output Value |
| Motorcycle Gears and Axles |                              | 830          | 890        | 887,179      | 621          | 556        | 550,726      |
| Automotive Gears and Axles |                              | 17,371       | 15,275     | 4,082,745    | 16,123       | 12,811     | 4,472,200    |
| Others                     |                              | 6,250        | 5,976      | 673,680      | 7,466        | 3,775      | 435,203      |
| Total                      |                              | 24,451       | 22,141     | 5,643,604    | 24,210       | 17,142     | 5,458,129    |

B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

| Main Items(or Sector)      | Year<br>Volume of Units Sold | 2022         |            |              | 2023         |            |              |
|----------------------------|------------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                            |                              | Productivity | Production | Output Value | Productivity | Production | Output Value |
| Motorcycle Gears and Axles |                              | 830          | 890        | 887,179      | 621          | 607        | 550,726      |
| Automotive Gears and Axles |                              | 10,431       | 9,983      | 4,570,315    | 9,603        | 9,022      | 4,228,596    |
| Others                     |                              | 499          | 864        | 559,259      | 465          | 873        | 266,584      |
| Total                      |                              | 11,760       | 11,737     | 6,016,753    | 10,689       | 10,502     | 5,045,906    |

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

A. Consolidated

Unit: Thousand Pieces; NTD Thousands

| Main Items<br>(or Sector)  | Year<br>Volume of Units Sold | 2022           |         |        |           | 2023           |         |        |           |
|----------------------------|------------------------------|----------------|---------|--------|-----------|----------------|---------|--------|-----------|
|                            |                              | Domestic Sales |         | Export |           | Domestic Sales |         | Export |           |
|                            |                              | Volume         | Amount  | Volume | Amount    | Volume         | Amount  | Volume | Amount    |
| Motorcycle Gears and Axles |                              | 292            | 97,350  | 456    | 877,396   | 191            | 74,181  | 416    | 586,830   |
| Automotive Gears and Axles |                              | 4,637          | 72,633  | 10,761 | 5,978,341 | 3,239          | 180,206 | 9,223  | 5,551,179 |
| Others                     |                              | 2,209          | 149,060 | 483    | 164,385   | 1,798          | 55,036  | 524    | 151,798   |
| Total                      |                              | 7,138          | 319,043 | 11,700 | 7,020,122 | 5,228          | 309,423 | 10,163 | 6,289,807 |

B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

| Main Items<br>(or Sector)  | Year<br>Volume of Units Sold | 2022           |         |        |           | 2023           |         |        |           |
|----------------------------|------------------------------|----------------|---------|--------|-----------|----------------|---------|--------|-----------|
|                            |                              | Domestic Sales |         | Export |           | Domestic Sales |         | Export |           |
|                            |                              | Volume         | Amount  | Volume | Amount    | Volume         | Amount  | Volume | Amount    |
| Motorcycle Gears and Axles |                              | 292            | 97,350  | 456    | 876,762   | 191            | 74,181  | 416    | 586,830   |
| Automotive Gears and Axles |                              | 48             | 14,034  | 9,919  | 5,596,959 | 86             | 63,035  | 8,936  | 5,166,002 |
| Others                     |                              | 468            | 149,061 | 484    | 164,066   | 350            | 55,022  | 523    | 151,798   |
| Total                      |                              | 808            | 260,445 | 10,859 | 6,637,787 | 627            | 192,238 | 9,875  | 5,904,630 |

**(III) Number of Employees, Average Years of Services, Average Age and Education in the Most Recent Two Years up to the Publication Date of the Annual Report**

|                                  | Year                         | 2022   | 2023   | 2024<br>(March 31) |
|----------------------------------|------------------------------|--------|--------|--------------------|
| Number of employees              | Direct                       | 774    | 718    | 672                |
|                                  | Indirect                     | 350    | 323    | 326                |
|                                  | Total                        | 1124   | 1041   | 998                |
| Average Age                      |                              | 37.61  | 37.66  | 37.9               |
| Average length of service        |                              | 6.95   | 7.34   | 7.66               |
| Education distribution ratio (%) | PhD                          | 0%     | 0%     | 0%                 |
|                                  | Master                       | 2.40%  | 2.11%  | 2.3%               |
|                                  | Bachelor                     | 37.37% | 36.31% | 37.28%             |
|                                  | Senior High School           | 24.11% | 22.86% | 22.14%             |
|                                  | Less than Senior High School | 36.12% | 38.72% | 38.28%             |

**(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 and obtain the stationary source installation permit in 2024.
  - 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 the procurement of sewage treatment equipment is planned for 2024.
  - 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 2024, 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 2023.
  - In 2024, the company conducted ISO 14067 carbon footprint verification. For this round, five products were selected for carbon footprint assessment, conducted separately at the Central Taiwan Science Park Plant and Chiayi Plant.

- (12) In 2024, the company's new plant in Dali (Lot Number 1088) will proceed with the procurement of sewage treatment equipment and apply for a water pollution prevention permit.
2. The Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:
  - (1) The sewage treatment equipment for the 5th Plant in Chiayi will be procured in 2024, in accordance with the standards for sewage discharge in the Chiayi Dapumei Precision Park. Additionally, an application will be made to the Environmental Protection Bureau, Chiayi County for the acquisition of a water pollution prevention permit.
  - (2) 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.
  - (3) 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) The discrepancy between the sampling points in the water pollution prevention and control plan for the Chiayi Plant and the original permit violates Article 18 of the Water Pollution Control Act and Article 4 of the Water Pollution Control Measures and Test Reporting Management Regulations. The penalty NTD14,000 shall be imposed.
  - (2) The discrepancies in the company's registration information in the waste disposal plan for Chiayi, as well as the inconsistencies in waste labeling and layout compared to the content specified in the original permit, violate Article 31, Paragraph 1, Clause 1 of the Waste Disposal Act and Article 36, Paragraph 1 of the Waste Disposal Act. The penalty NTD12,000 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 sewage treatment equipment for the 5th Plant in Chiayi will be procured in 2024.
  - (3) The sewage treatment equipment for the new plant in Dali (Lot Number 1088) will be procured in 2024.

**(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.
 

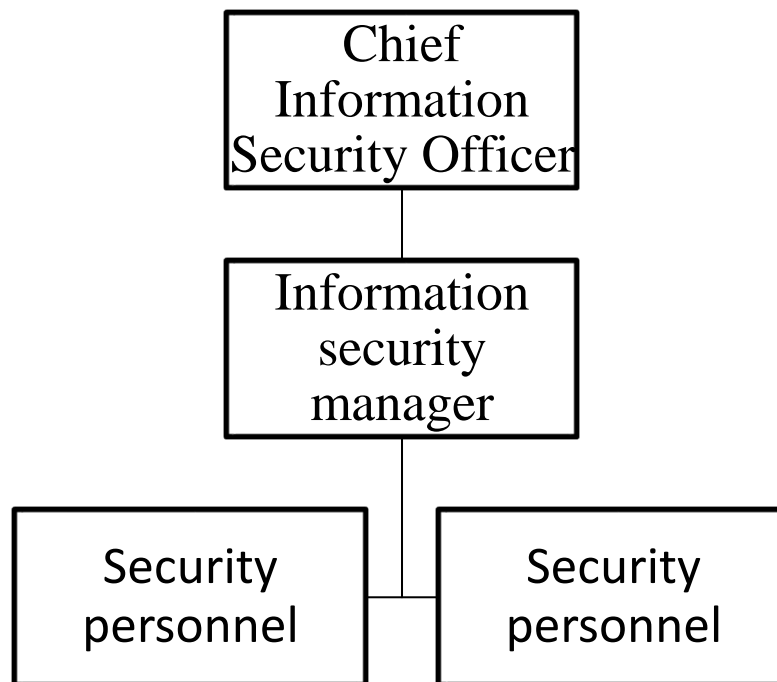
The Company has a fair labor relation and has not been affected in operations due to labor disputes since its establishment, in addition, in accordance with current situation, there is no potential for labor disputes; therefore, the possibility of future labor dispute losses is very unlikely. However, 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, per 28 April 2023 Letter No. Taichung-Environmental-Protection-Zi-1120009280, per 4 August 2023 Letter No. Taichung-Environmental-Protection-Zi-1120017568, per 4 January 2024 Letter No. Taichung-Environmental-Protection-Zi-1130000449 and per 16 March 2023 Letter No. Chiayi-Labor-Zi-1120051303, per 21 December 2023 Letter No. Chiayi-Labor-Zi-1120296300, which violated Article 32, paragraph 2 of the Labor Standards Act, and a fine at NTD 1,300,000 was imposed. The Company has re-examined the working hours management system, controlled the

issue of unreasonably regulated overtime in various plants and strengthened communication to promote overtime reporting regulations ever since.

**(VI) Cyber security management**

1. Cyber security risk management framework

(1) Information security management structure



(2) The responsible unit for the company's information security is the Information Department, which coordinates the company's information security policies, promotes information security-related information, and makes timely adjustments in compliance with current laws and regulations to ensure that the company's information security and systems comply with confidentiality, integrity and availability requirements.

2. Cyber security policies

The goal is to "ensure sustainable development and protect the confidentiality, integrity and availability of company-related business information to avoid any form of threats such as leakage, destruction and loss.

3. Concrete management programs

(1) Network information security control

Establish network security measures such as firewalls and secure network architecture, strengthen monitoring and control of external networks, and build VPNs to ensure the confidentiality and security of data transmission; and also establish an access control mechanism for the company's internal network, restricting unauthorized personnel from accessing company confidential information; and when users change their positions or leave (retire), their system access rights will be logged off immediately.

(2) Data access control

The company evaluates the data permissions of each department, conducts hierarchical management and control of data based on information classification and level, and grants users system access permissions based on the needs of business execution to ensure that important confidential information is properly protected. The company implements the review process for employees' access to data and masters data access records. The company adopts the principle of least privilege to manage access rights to the company's internal systems and data, and cannot be viewed without authorization.

(3) Data backup mechanism

A. System daily backup

Carry out tape backup of the system every day to ensure that the backup data is the latest data.

B. Disaster recovery mechanism

Data backup is also integrated with the disaster recovery mechanism to ensure that in the event of a disaster, the backup data can be immediately supplied and restored quickly.

4. Investments in resources for cyber security management
  - (1) Firewall settings.
  - (2) Install anti-virus software.
  - (3) Email management and control
5. Please describe any loss incurred due to material cyber security events, possible impacts and countermeasures during the most recent year and as of the publication date of this annual report. If a reasonable estimate cannot be provided, please explain the facts concerning the impossibility of reasonable estimates: None.

**(VII) 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               |

## 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<br>Items                               |                     | Financial information for the most recent five years (Note 1) |            |            |            |                    | Current Year<br>Financial<br>information as of<br>March 31, 2024<br>(Note 3) |
|---|---------------------|---|------------|------------|------------|--------------------|--|
|   |                     | 2019  | 2020       | 2021       | 2022       | 2023               |  |
| Current Asset                               |                     | 5,143,310   | 5,409,457  | 7,243,670  | 8,229,141  | 7,150,172          | 7,660,598  |
| Property, Plant and Equipment (Note 2)      |                     | 10,672,421  | 11,540,853 | 12,765,015 | 13,759,127 | 14,044,490         | 14,050,906   |
| Intangible Assets                           |                     | 14,142  | 7,034      | 6,693      | 7,552      | 7,950              | 7,388  |
| Other Assets (Note 2)                       |                     | 1,325,979   | 1,393,831  | 1,088,241  | 930,491    | 1,124,659          | 1,078,875  |
| Total Asset                                 |                     | 17,155,852  | 18,351,175 | 21,103,619 | 22,926,311 | 22,327,271         | 22,797,767   |
| Current Liability                           | Before Distribution | 4,843,688   | 6,426,290  | 6,733,378  | 6,763,659  | 6,251,528          | 6,731,665  |
|   | After Distribution  | 5,353,601   | 6,733,759  | 7,114,919  | 7,210,887  | 6,531,046 (note6)  | Not applicable   |
| Non-Current Liability                       |                     | 5,687,236   | 5,517,842  | 5,626,113  | 7,186,992  | 7,233,867          | 7,085,022  |
| Total Liability                             | Before Distribution | 10,530,924  | 11,944,132 | 12,359,491 | 13,950,651 | 13,485,395         | 13,816,687   |
|   | After Distribution  | 11,040,837  | 12,251,601 | 12,741,032 | 14,397,879 | 13,764,913 (note6) | Not applicable   |
| Equity Attributable to Owners of the Parent |                     | 6,568,576   | 6,352,558  | 8,623,105  | 8,849,666  | 8,723,473          | 8,862,738  |
| Stock Capital                               |                     | 2,549,565   | 2,545,175  | 2,795,175  | 2,795,175  | 2,795,175          | 2,795,175  |
| Capital Surplus                             |                     | 1,916,204   | 1,906,479  | 3,833,804  | 3,833,804  | 3,833,804          | 3,833,804  |
| Retained Earnings                           | Before Distribution | 2,151,043   | 1,936,020  | 2,054,480  | 2,315,845  | 2,207,101          | 2,295,866  |
|   | After Distribution  | 1,641,130   | 1,701,225  | 1,672,939  | 1,868,617  | 1,927,583 (note6)  | Not applicable   |
| Other Equities                              |                     | (48,236)  | (35,116)   | (60,354)   | (95,158)   | (112,607)          | (62,107)   |
| Treasury Shares                             |                     | 0   | 0          | 0          | 0          | 0                  | 0  |
| Non-Controlling Interest                    |                     | 56,352  | 54,485     | 121,023    | 125,994    | 118,403            | 118,342  |
| Total Equity                                | Before Distribution | 6,624,928   | 6,407,043  | 8,744,128  | 8,975,660  | 8,841,876          | 8,981,080  |
|   | After Distribution  | 6,115,015   | 6,099,574  | 8,362,587  | 8,528,432  | 8,562,358 (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: 2023 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> <div>Year</div> <div>Items</div> </div> |                     | Financial information for the most recent five years (Note 1) |            |            |            |                    |
|---|---------------------|---|------------|------------|------------|--------------------|
|   |                     | 2019  | 2020       | 2021       | 2022       | 2023               |
| Current Asset                                 |                     | 4,742,042   | 4,737,344  | 6,367,081  | 7,458,679  | 6,007,580          |
| Property, Plant and Equipment (Note 2)        |                     | 9,891,452   | 10,476,818 | 11,569,887 | 12,434,251 | 12,752,638         |
| Intangible Assets                             |                     | 13,169  | 7,034      | 6,142      | 7,402      | 7,578              |
| Other Assets (Note 2)                         |                     | 1,764,865   | 1,781,394  | 1,551,179  | 1,378,405  | 1,643,807          |
| Total Asset                                   |                     | 16,411,528  | 17,002,590 | 19,494,289 | 21,278,737 | 20,411,603         |
| Current Liability                             | Before Distribution | 4,531,930   | 5,872,193  | 5,839,637  | 5,608,375  | 5,426,957          |
|   | After Distribution  | 5,041,843   | 6,179,662  | 6,221,178  | 6,055,603  | 5,706,475 (note6)  |
| Non-Current Liability                         |                     | 5,311,022   | 4,777,839  | 5,031,547  | 6,820,696  | 6,261,173          |
| Total Liability                               | Before Distribution | 9,842,952   | 10,650,032 | 10,871,184 | 12,429,071 | 11,688,130         |
|   | After Distribution  | 10,352,865  | 10,957,501 | 11,252,725 | 12,876,299 | 11,967,648 (note6) |
| Equity Attributable to Owners of the Parent   |                     | 6,568,576   | 6,352,558  | 8,623,105  | 8,849,666  | 8,723,473          |
| Stock Capital                                 |                     | 2,549,565   | 2,545,175  | 2,795,175  | 2,795,175  | 2,795,175          |
| Capital Surplus                               |                     | 1,916,204   | 1,906,479  | 3,833,804  | 3,833,804  | 3,833,804          |
| Retained Earnings                             | Before Distribution | 2,151,043   | 1,936,020  | 2,054,480  | 2,315,845  | 2,207,101          |
|   | After Distribution  | 1,641,130   | 1,701,225  | 1,672,939  | 1,868,617  | 1,927,583 (note6)  |
| Other Equities                                |                     | (48,236)  | (35,116)   | (60,354)   | (95,158)   | (112,607)          |
| Treasury Shares                               |                     | 0   | 0          | 0          | 0          | 0                  |
| Non-Controlling Interest                      |                     | 0   | 0          | 0          | 0          | 0                  |
| Total Equity                                  | Before Distribution | 6,568,576   | 6,352,558  | 8,623,105  | 8,849,666  | 8,723,473          |
|   | After Distribution  | 6,058,663   | 6,045,089  | 8,241,564  | 8,402,438  | 8,443,955 (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: 2023 earnings distribution proposal has not yet passed the resolution of the shareholders' meeting.

# Condensed Comprehensive Income Statement

Unit: NTD Thousands

| Year<br>Items  | Financial information for the most recent five years (Note 1) |           |           |           |           | Current Year<br>Financial<br>information as of<br>March 31, 2024<br>(Note 2) |
|--|---|-----------|-----------|-----------|-----------|--|
|  | 2019  | 2020      | 2021      | 2022      | 2023      |  |
| Operating Revenue  | 5,968,347   | 5,211,042 | 6,686,364 | 7,339,165 | 6,599,230 | 1,487,471  |
| Operating Margin   | 1,672,360   | 1,172,818 | 1,681,663 | 1,695,561 | 1,141,101 | 239,217  |
| Operating Income   | 818,529   | 396,611   | 451,632   | 538,936   | 415,591   | 25,490   |
| Non-Operating Income and Expenses                                      | (73,610)  | (72,563)  | (47,832)  | 229,562   | (52,991)  | 93,166   |
| Net Profit before Tax  | 744,919   | 324,048   | 403,800   | 768,498   | 362,600   | 118,656  |
| Current Net Profit from Continuing Operations                          | 653,049   | 285,560   | 340,643   | 629,073   | 324,663   | 88,714   |
| Loss from Discontinuing Operation                                      | 0   | 0         | 0         | 0         | 0         | 0  |
| Current Net Profit (Loss)  | 653,049   | 285,560   | 340,643   | 629,073   | 324,663   | 88,714   |
| Current Other Comprehensive Income (Net After Tax)                     | (7,489)   | 22,448    | (14,089)  | (16,000)  | (6,092)   | 50,490   |
| Current Total of Comprehensive Income                                  | 645,560   | 308,008   | 326,554   | 613,073   | 318,571   | 139,204  |
| Net Profit Attributable to Owners of the Parent                        | 649,123   | 286,094   | 341,823   | 623,958   | 327,211   | 88,765   |
| Net Profit Attributable to Non-Controlling Interest                    | 3,926   | (534)     | (1,180)   | 5,115     | (2,548)   | (51)   |
| Total of Comprehensive Income Attributable to Owners of the Parent     | 641,989   | 308,010   | 328,016   | 608,102   | 321,035   | 139,265  |
| Total of Comprehensive Income Attributable to Non-Controlling Interest | 3,571   | (2)       | (1,462)   | 4,971     | (2,464)   | (61)   |
| EPS  | 2.55  | 1.12      | 1.23      | 2.23      | 1.17      | 0.32   |

\* 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<br>Items  | Financial information for the most recent five years (Note 1) |           |           |           |           |
|--|---|-----------|-----------|-----------|-----------|
|  | 2019  | 2020      | 2021      | 2022      | 2023      |
| Operating Revenue  | 5,683,259   | 4,787,240 | 6,230,770 | 6,898,232 | 6,096,868 |
| Operating Margin   | 1,610,980   | 1,119,271 | 1,605,106 | 1,585,130 | 1,050,962 |
| Operating Income   | 846,892   | 455,877   | 535,868   | 540,492   | 436,887   |
| Non-Operating Income and Expenses                                      | (116,924)   | (138,208) | (134,867) | 222,590   | (75,918)  |
| Net Profit before Tax  | 729,968   | 317,669   | 401,001   | 763,082   | 360,969   |
| Current Net Profit from Continuing Operations                          | 649,123   | 286,094   | 341,823   | 623,958   | 327,211   |
| Loss from Discontinuing Operation                                      | 0   | 0         | 0         | 0         | 0         |
| Current Net Profit (Loss)  | 649,123   | 286,094   | 341,823   | 623,958   | 327,211   |
| Current Other Comprehensive Income (Net After Tax)                     | (7,134)   | 21,916    | (13,807)  | (15,856)  | (6,176)   |
| Current Total of Comprehensive Income                                  | 641,989   | 308,010   | 328,016   | 608,102   | 321,035   |
| 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  | 2.55  | 1.12      | 1.23      | 2.23      | 1.17      |

\* 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**

| Attesting Year | Accounting firms | Name of CPAs                      | Auditor's opinions   | Remarks |
|----------------|------------------|-----------------------------------|--|---------|
| 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) | -       |
| 2023           | EY Taiwan        | Huang, Zi-Ping and Huang, Yu-Ting | No qualified opinion (Other Matters)                       | -       |

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

### Financial analysis

| Year (Note 1)<br>Analysis Items (Note 3) |   | Financial analysis of the most recent five years |        |        |        |        | Financial information for the year ended March 31, 2024 (Note 2) |
|--|---|--|--------|--------|--------|--------|--|
|  |   | 2019   | 2020   | 2021   | 2022   | 2023   |  |
| Financial Structure (%)                  | Ratio of Liabilities to Assets                              | 61.38  | 65.09  | 58.57  | 60.85  | 60.40  | 60.61  |
|  | Ratio of Long-Term Capital to Property, Plant and Equipment | 115.36   | 103.33 | 112.58 | 117.47 | 114.46 | 114.34   |
| Debt Service Ability %                   | Current Ratio   | 106.19   | 84.18  | 107.58 | 121.67 | 114.37 | 113.80   |
|  | Quick Ratio   | 67.30  | 54.64  | 62.18  | 70.59  | 59.79  | 63.94  |
|  | Interest Coverage Folds                                     | 8.42   | 3.46   | 4.45   | 6.24   | 2.55   | 2.98   |
| Operating Ability                        | Account Receivables' Turnover Rate (Times)                  | 2.75   | 2.28   | 2.66   | 2.55   | 2.36   | 2.08   |
|  | Average Days for Cash Receipts                              | 132.72   | 160.08 | 137.21 | 143.13 | 154.66 | 175  |
|  | Inventory's Turnover Rate (Times)                           | 2.26   | 2.03   | 1.94   | 1.68   | 1.55   | 1.45   |
|  | Payables Turnover Rate (Times)                              | 3.94   | 4.28   | 3.30   | 3.27   | 4.63   | 5.02   |
|  | Average Days for Sale of Goods                              | 161.50   | 179.80 | 188.14 | 217.26 | 235.48 | 252  |
|  | Turnover Rate for Property, Plant and Equipment (Times)     | 0.61   | 0.47   | 0.55   | 0.55   | 0.47   | 0.42   |
|  | Total Assets' Turnover Rate (Times)                         | 0.36   | 0.29   | 0.34   | 0.33   | 0.29   | 0.26   |
|  |   |  |        |        |        |        |  |
| Profitability                            | Assets Return Ratio (%)                                     | 4.43   | 2.10   | 2.09   | 3.31   | 2.10   | 2.22   |
|  | Equity Return Ratio (%)                                     | 9.68   | 4.38   | 4.50   | 7.1    | 3.64   | 3.98   |
|  | Ratio to Paid-In Capital (%)                                | Operating Income                                 | 32.10  | 15.58  | 16.16  | 19.28  | 14.87  |
|  |   | Pre-Tax Income                                   | 29.22  | 12.73  | 14.45  | 27.49  | 12.97  |
|  | Net Profit Ratio (%)  | 10.94  | 5.48   | 5.09   | 8.57   | 4.92   | 5.96   |
|  | EPS(NTD)  | 2.55   | 1.12   | 1.23   | 2.23   | 1.17   | 0.32   |
| Cash Flow                                | Cash Flow Ratio(%)  | 6.44   | 17.05  | 7.66   | 0      | 13.63  | 1.03   |
|  | Cash Flow Sufficiency Ratio(%)                              | 36.70  | 36.39  | 25.97  | 24.62  | 21.70  | 46.88  |
|  | Cash Re-investment Rate(%)                                  | (3.80)   | 3.83   | 1.16   | -1.88  | 1.91   | 0.33   |
| Leverage                                 | Operational Leverage  | 2.90   | 4.73   | 4.31   | 3.88   | 4.93   | 16.29  |
|  | Financial Leverage  | 1.12   | 1.38   | 1.25   | 1.3    | 1.82   | (1.27)   |

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: Revenue and operating profit for this period decreased compared with the previous period
2. Profitability: Mainly due to the decrease in after-tax profits and losses compared with the previous period.
3. Cash flow: The inventory preparation caused by material preparation, coupled with the recent decrease in profits, resulted in a lower cash flow ratio than the previous year.

\* 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 |        |        |        |        |
|--|---|------------------|--|--------|--------|--------|--------|
|  |   |                  | 2019   | 2020   | 2021   | 2022   | 2023   |
| Financial Structure  | Ratio of Liabilities to Assets                              |                  | 59.98  | 62.64  | 55.77  | 58.41  | 57.26  |
|  | Ratio of Long-Term Capital to Property, Plant and Equipment |                  | 120.10   | 106.24 | 118.02 | 126.03 | 117.50 |
| Debt Service Ability   | Current Ratio   |                  | 104.64   | 80.67  | 109.03 | 132.99 | 110.70 |
|  | Quick Ratio   |                  | 66.57  | 52.13  | 63.11  | 80.3   | 61.58  |
|  | Interest Coverage Folds                                     |                  | 9.00   | 3.70   | 4.93   | 6.85   | 2.75   |
| Operating Ability  | Account Receivables' Turnover Rate(Times)                   |                  | 2.73   | 2.24   | 2.69   | 2.50   | 2.21   |
|  | Average Days for Cash Receipts                              |                  | 134  | 163    | 136    | 146    | 165    |
|  | Inventory's Turnover Rate (Times)                           |                  | 2.35   | 2.07   | 2.05   | 1.82   | 1.75   |
|  | Payables Turnover Rate (Times)                              |                  | 3.92   | 4.39   | 3.37   | 3.3    | 4.51   |
|  | Average Days for Sale of Goods                              |                  | 155  | 176    | 178    | 201    | 209    |
|  | Turnover Rate for Property, Plant and Equipment (Times)     |                  | 0.63   | 0.47   | 0.57   | 0.57   | 0.48   |
|  | Total Assets' Turnover Rate (Times)                         |                  | 0.36   | 0.29   | 0.34   | 0.34   | 0.29   |
| Profitability  | Assets Return Ratio (%)                                     |                  | 4.55   | 2.17   | 2.21   | 3.49   | 2.19   |
|  | Equity Return Ratio (%)                                     |                  | 9.70   | 4.43   | 4.57   | 7.14   | 3.72   |
|  | Ratio to Paid-In Capital (%)                                | Operating Income | 33.22  | 17.91  | 19.34  | 19.34  | 15.63  |
|  |   | Pre-Tax Income   | 28.63  | 12.48  | 27.30  | 27.3   | 12.91  |
|  | Net Profit Ratio (%)  |                  | 11.42  | 5.98   | 5.49   | 9.05   | 5.37   |
|  | EPS (NTD)   |                  | 2.55   | 1.12   | 1.23   | 2.23   | 1.17   |
| Cash Flow  | Cash Flow Ratio (%)   |                  | 6.35   | 23.26  | 10.42  | 0      | 20.17  |
|  | Cash Flow Sufficiency Ratio (%)                             |                  | 38.95  | 43.57  | 37.90  | 24.93  | 28.90  |
|  | Cash Re-investment Rate (%)                                 |                  | (4.11)   | 5.98   | 1.75   | (3.13) | 3.26   |
| Financial Structure  | Operational Leverage  |                  | 2.55   | 3.73   | 3.27   | 3.54   | 4.28   |
|  | Financial Leverage  |                  | 1.11   | 1.26   | 1.16   | 1.25   | 1.59   |
| 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: Revenue and operating profit for this period decreased compared with the previous period   |   |                  |  |        |        |        |        |
| 2. Profitability: Mainly due to the decrease in after-tax profits and losses compared with the previous period.  |   |                  |  |        |        |        |        |
| 3. Cash flow: The inventory preparation caused by material preparation, coupled with the recent decrease in profits, resulted in a lower cash flow ratio than the previous year.                     |   |                  |  |        |        |        |        |

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 shared 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 2023. Ernst & Young 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 2023 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: ZHUANG, BO-NIAN

March 14, 2024

**(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 companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the years ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Hota Industrial Manufacturing Company Limited

Chairman : Shen, Kuo-Rong

March 14, 2024

## Independent Auditors' Report

To: Hota Industrial Manufacturing Company

### Opinion

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

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

### Basis for opinion

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

### Key audit matters

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

#### Cut-off of revenue from exporting sales

The operating revenue of Hota Industrial Manufacturing Company and subsidiaries for the year ended December 31, 2023 amounted to NT\$6,599,230 thousand. Hota Industrial Manufacturing Company and subsidiaries primarily acquire operating revenue from the manufacturing and trading of related products for vehicle transmission parts. Sales contracts include various terms and conditions. However, the Hota Industrial Manufacturing Company and subsidiaries recognize sales revenue immediately after shipment, and reverse the sales revenue at the end of each period for the portion that ownership of the products has not been transferred to the buyer due to the failure of fulfilling the agreed trading conditions which resulting in control of the product not yet being transferred to the buyer. As the data collection for the portion that does not meet the sales revenue recognition conditions involves a high degree of manual judgment and operation, we have included the cut-off of revenue from exporting sales as a key audit matter.

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

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

#### Evaluation of allowances for inventory valuation and obsolescence losses

The net inventories of Hota Industrial Manufacturing Company and subsidiaries as of December 31, 2023 amounted to NT\$3,337,134 thousand, accounting for 15% of total consolidated assets. Hota Industrial Manufacturing Company and

subsidiaries are primarily engaged in the manufacturing and trading of related products for vehicle transmission parts. Due to the fierce competition in the automotive transmission parts market, there is a higher risk of inventory valuation and obsolescence losses. Therefore, allowances for inventory valuation and obsolescence losses are provided based on the level of destocking for inventories with ages exceeding a specific period, and inventories individually identified obsolescent. As the determination of obsolescent inventories and the net realizable value adopted in valuation usually involve subjective judgement, there is high estimate uncertainty. In consideration of inventories and allowances for inventory valuation and obsolescence losses being material to the financial statements, we identified this is a key audit matter.

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

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

### **Other Matter—the Financial Statements of the Period Prior Have Been Audited by Other Auditors**

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

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

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

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Others

We and other auditors have audited the parent company only financial statements of Hota Industrial Manufacturing Company and subsidiaries as of and for the years ended December 31, 2023 and 2022 on which we and other auditors have issued an unqualified opinion with other matter paragraph, for your reference.

Ernst & Young

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

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

No. Financial-Supervisory-Securities-Auditing -1080326041

Huang, Zi-Ping

CPA :

Huang, Yu-Ting

March 14, 2024

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated balance sheets

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Assets |   |              | December 31, 2023 |     | December 31, 2022 |     |
|--------|---|--------------|-------------------|-----|-------------------|-----|
| Code   | Accounting items  | Note         | Amount            | %   | Amount            | %   |
|        | Current assets  |              |                   |     |                   |     |
| 1100   | Cash and cash equivalents   | 4 and 6.1    | \$784,936         | 4   | \$1,072,452       | 5   |
| 1110   | Financial assets at fair value through profit or loss — current             | 4 and 6.2    | 14,325            | -   | 10,562            | -   |
| 1120   | Financial assets at fair value through other comprehensive income — current | 4 and 6.3    | 90,290            | -   | 83,735            | -   |
| 1136   | Financial assets at amortized cost — current                                | 4 and 6.4    | 46,640            | -   | 204,848           | 1   |
| 1150   | Notes receivables, net  | 4            | 18,973            | -   | 968               | -   |
| 1170   | Accounts receivables, net   | 4 and 6.5    | 2,624,734         | 12  | 2,949,521         | 13  |
| 1200   | Other receivables   |              | 96,711            | -   | 197,690           | 1   |
| 130x   | Inventories   | 4 and 6.6    | 3,337,134         | 15  | 3,454,922         | 15  |
| 1470   | Other current assets  |              | 136,429           | 1   | 254,443           | 1   |
| 11xx   | Total current assets  |              | 7,150,172         | 32  | 8,229,141         | 36  |
|        | Non-current assets  |              |                   |     |                   |     |
| 1517   | Financial assets at fair value through other comprehensive income — non-    | 4 and 6.3    | 140,640           | 1   | 65,040            | -   |
| 1535   | Financial assets at amortized cost — non-current                            | 4, 6.4 and 8 | -                 | -   | 32                | -   |
| 1550   | Investments accounted for using equity method                               | 4, 6.7 and 8 | 305,866           | 2   | 298,839           | 1   |
| 1600   | Property, plant and equipment   | 4, 6.8 and 8 | 14,044,490        | 63  | 13,759,127        | 60  |
| 1755   | Right-of-use assets   | 4 and 6.21   | 332,430           | 1   | 316,790           | 2   |
| 1760   | Investment properties, net  | 4 and 6.9    | 30,387            | -   | 30,387            | -   |
| 1780   | Intangible assets   | 4            | 7,950             | -   | 7,552             | -   |
| 1840   | Deferred tax assets   | 4 and 6.25   | 48,391            | -   | 48,296            | -   |
| 1900   | Other non-current assets  | 6.1          | 266,945           | 1   | 171,107           | 1   |
| 15xx   | Total non-current assets  |              | 15,177,099        | 68  | 14,697,170        | 64  |
| 1xxx   | Total assets  |              | \$22,327,271      | 100 | \$22,926,311      | 100 |

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

Chairman: Shen, Guo-Rong

Manager: Chen, Jun-Zhi

Chief accountant: Li, Yuan-Ji



Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated balance sheets (cont.)

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Liabilities and equity |   |            | December 31, 2023 |     | December 31, 2022 |     |
|------------------------|---|------------|-------------------|-----|-------------------|-----|
| Code                   | Accounting items  | Note       | Amount            | %   | Amount            | %   |
|                        | Current liabilities                                     |            |                   |     |                   |     |
| 2100                   | Short-term borrowings                                   | 4 and 6.11 | \$2,169,484       | 10  | \$2,060,484       | 9   |
| 2110                   | Short-term notes payables                               | 4 and 6.12 | 1,000,000         | 5   | 1,060,000         | 5   |
| 2150                   | Notes payables  |            | 423,851           | 2   | 524,871           | 2   |
| 2170                   | Accounts payables                                       | 4          | 508,130           | 2   | 899,474           | 4   |
| 2200                   | Other payables  | 6.13       | 492,177           | 2   | 749,478           | 3   |
| 2230                   | Current income tax liabilities                          | 4 and 6.25 | 98,328            | -   | 138,043           | 1   |
| 2280                   | Lease liabilities—current                               | 4 and 6.21 | 22,613            | -   | 22,952            | -   |
| 2322                   | Long-term borrowings, current portion                   | 4 and 6.14 | 1,390,203         | 6   | 1,243,405         | 6   |
| 2399                   | Other current liabilities                               |            | 146,742           | 1   | 64,952            | -   |
| 21xx                   | Total current liabilities                               |            | 6,251,528         | 28  | 6,763,659         | 30  |
|                        | Non-current liabilities                                 |            |                   |     |                   |     |
| 2540                   | Long-term borrowings                                    | 4 and 6.14 | 6,808,631         | 30  | 6,744,180         | 29  |
| 2570                   | Deferred tax liabilities                                | 4 and 6.25 | 22,953            | -   | 46,654            | -   |
| 2580                   | Lease liabilities—non-current                           | 4 and 6.21 | 274,435           | 1   | 258,391           | 1   |
| 2600                   | Other non-current liabilities                           |            | 127,848           | 1   | 137,767           | 1   |
| 25xx                   | Total non-current liabilities                           |            | 7,233,867         | 32  | 7,186,992         | 31  |
| 2xxx                   | Total liabilities                                       |            | 13,485,395        | 60  | 13,950,651        | 61  |
|                        | Equity attributable to shareholders of the parent       |            |                   |     |                   |     |
| 31xx                   | Capital stock   |            |                   |     |                   |     |
| 3100                   | Common stock  | 6.17       | 2,795,175         | 13  | 2,795,175         | 12  |
| 3110                   | Capital surplus   | 6.17       | 3,833,804         | 17  | 3,833,804         | 17  |
| 3200                   | Retained earnings                                       | 6.17       |                   |     |                   |     |
| 3310                   | Legal reserve   |            | 789,267           | 4   | 724,977           | 3   |
| 3320                   | Special reserve   |            | 95,158            | -   | 60,354            | -   |
| 3350                   | Unappropriated earnings                                 |            | 1,322,676         | 6   | 1,530,514         | 7   |
|                        | Total retained earnings                                 |            | 2,207,101         | 10  | 2,315,845         | 10  |
| 3400                   | Other equity  |            | (112,607)         | (1) | (95,158)          | -   |
| 31xx                   | Total equity attributable to shareholders of the parent |            | 8,723,473         | 39  | 8,849,666         | 39  |
| 36xx                   | Non-controlling interests                               | 6.18       | 118,403           | 1   | 125,994           | -   |
| 3xxx                   | Total equity  |            | 8,841,876         | 40  | 8,975,660         | 39  |
| 3x2x                   | Total liabilities and equity                            |            | \$22,327,271      | 100 | \$22,926,311      | 100 |

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

Chairman: Shen, Guo-Rong

Manager: Chen, Jun-Zhi

Chief accountant: Li, Yuan-Ji

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated statements of comprehensive income

For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Code | Accounting items  | Note       | For the year ended December 31, 2023 |      | For the year ended December 31, 2022 |      |
|------|---|------------|--------------------------------------|------|--------------------------------------|------|
|      |   |            | Amount                               | %    | Amount                               | %    |
| 4000 | Operating revenue   | 4 and 6.19 | \$6,599,230                          | 100  | \$7,339,165                          | 100  |
| 5000 | Operating costs   | 6.6 and 22 | (5,458,129)                          | (83) | (5,643,604)                          | (77) |
| 5900 | Gross profit  |            | 1,141,101                            | 17   | 1,695,561                            | 23   |
| 6000 | Operating expenses  |            |                                      |      |                                      |      |
| 6100 | Sales and marketing expenses  | 6.22       | (440,548)                            | (7)  | (874,684)                            | (12) |
| 6200 | General and administrative expenses   | 6.22       | (155,274)                            | (2)  | (161,118)                            | (2)  |
| 6300 | Research and development expenses   | 4 and 6.20 | (101,390)                            | (2)  | (105,803)                            | (2)  |
| 6450 | Expected credit impairment losses   | 4 and 6.20 | (28,298)                             | -    | (15,020)                             | -    |
|      | Total operating expenses  |            | (725,510)                            | (11) | (1,156,625)                          | (16) |
| 6900 | Income from operations  |            | 415,591                              | 6    | 538,936                              | 7    |
| 7000 | Non-operating income and expenses   |            |                                      |      |                                      |      |
| 7100 | Interest income   | 4 and 6.23 | 10,034                               | -    | 3,078                                | -    |
| 7010 | Other income  | 4 and 6.23 | 86,051                               | 1    | 77,355                               | 1    |
| 7020 | Other gains and losses  | 6.23       | 17,462                               | 1    | 266,880                              | 4    |
| 7050 | Finance costs   | 6.23       | (186,861)                            | (3)  | (125,587)                            | (2)  |
| 7060 | Share of profit or loss of associates and joint ventures income accounted for using equity method     | 5.7        | 20,323                               | -    | 7,836                                | -    |
|      | Total non-operating income and expenses   |            | (52,991)                             | (1)  | 229,562                              | 3    |
| 7900 | Income before income tax  |            | 362,600                              | 5    | 768,498                              | 10   |
| 7950 | Income tax expense  | 4 and 6.25 | (37,937)                             | - 1  | (139,425)                            | (2)  |
| 8200 | Net income  |            | 324,663                              | 4    | 629,073                              | 8    |
| 8300 | Other comprehensive income  |            |                                      |      |                                      |      |
| 8310 | Items that will not be reclassified subsequently to profit or loss                                    |            |                                      |      |                                      |      |
| 8311 | Remeasurement of defined benefit plans  | 4 and 6.24 | \$5,525                              | -    | \$15,289                             | -    |
| 8316 | Unrealized valuation gains or losses on investments in equity instruments at fair value through other | 4 and 6.24 | 4,287                                | -    | (7,451)                              | -    |
| 8320 | Share of other comprehensive income of associates and joint ventures accounted for using equity       | 4 and 6.24 | (2,746)                              | -    | (27,084)                             | -    |
| 8349 | Income tax related to items that will not be reclassified subsequently                                | 4 and 6.24 | (1,140)                              | -    | (2,923)                              | -    |
| 8360 | Items that may be reclassified subsequently to profit or loss   |            |                                      | -    |                                      | -    |
| 8361 | Exchange differences arising on translation of foreign operations                                     | 4 and 6.24 | (3,131)                              | -    | 33,418                               | -    |
| 8367 | Unrealized valuation gains or losses on investments in debt instruments at fair value through other   | 4 and 6.24 | (4,127)                              | -    | (31,814)                             | -    |
| 8370 | Share of other comprehensive income of associates accounted for using equity method                   | 4 and 6.24 | (1,454)                              | -    | 2,552                                | -    |
| 8399 | Income tax related to items that will be reclassified subsequently                                    | 6.25       | (3,306)                              | -    | 2,013                                | -    |
|      | Other comprehensive income(net of tax)  |            | (6,092)                              | -    | (16,000)                             | -    |
| 8500 | Total comprehensive income  |            | \$318,571                            | 4    | \$613,073                            | 8    |
| 8600 | Net income (loss) attributable to :   |            |                                      |      |                                      |      |
| 8610 | Shareholders of the parent  |            | \$327,211                            |      | \$623,958                            |      |
| 8620 | Non-controlling interests   |            | (2,548)                              |      | 5,115                                |      |
|      |   |            | \$324,663                            |      | \$629,073                            |      |
| 8700 | Total comprehensive income attributable to :  |            |                                      |      |                                      |      |
| 8710 | Shareholders of the parent  |            | \$321,035                            |      | \$608,102                            |      |
| 8720 | Non-controlling interests   |            | (2,464)                              |      | 4,971                                |      |
|      |   |            | \$318,571                            |      | \$613,073                            |      |
|      | Earnings per share(NT\$)  | 4 and 6.26 |                                      |      |                                      |      |
| 9750 | Basic earnings per share  |            | \$1.17                               |      | \$2.23                               |      |
| 9850 | Diluted earnings per share  |            | \$1.17                               |      | \$2.23                               |      |

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Code | Items  | Equity attributable to shareholders of the parent |                 |                   |                 |                         |   |   | Total       | Non-controlling interest | Total equity |
|------|--|---|-----------------|-------------------|-----------------|-------------------------|---|---|-------------|--------------------------|--------------|
|      |  | Capital stock                                     | Capital surplus | Retained earnings |                 |                         | Other equity  |   |             |                          |              |
|      |  |   |                 | Legal reserve     | Special reserve | Unappropriated earnings | Exchange differences arising on translation of foreign operations | Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income |             |                          |              |
|      |  | 3100  | 3200            | 3310              | 3320            | 3350                    | 3410  | 3420  | 31XX        | 36XX                     | 3XXX         |
| A1   | Balance at January 1, 2022   | \$2,795,175                                       | \$3,833,804     | \$689,651         | \$48,236        | \$1,316,593             | \$(45,136)  | \$(15,218)  | \$8,623,105 | \$121,023                | \$8,744,128  |
| D1   | Net income, 2022   |   |                 |                   |                 | 623,958                 |   |   | 623,958     | 5,115                    | 629,073      |
| D3   | Other comprehensive income, 2022   |   |                 |                   |                 | 13,420                  | 37,978  | (67,254)  | (15,856)    | (144)                    | (16,000)     |
| D5   | Total comprehensive income   | -   | -               | -                 | -               | 637,378                 | 37,978  | (67,254)  | 608,102     | 4,971                    | 613,073      |
|      | Appropriation and distribution of earnings in 2021                               |   |                 |                   |                 |                         |   |   |             |                          |              |
| B1   | Legal reserve  |   |                 | 35,326            |                 | (35,326)                |   |   | -           |                          | -            |
| B3   | Special reserve  |   |                 |                   | 12,118          | (12,118)                |   |   | -           |                          | -            |
| B5   | Cash dividends of common stock   |   |                 |                   |                 | (381,541)               |   |   | (381,541)   |                          | (381,541)    |
| Q1   | Disposals of equity instruments at fair value through other comprehensive income |   |                 |                   |                 | 5,528                   |   | (5,528)   | -           | -                        | -            |
| Z1   | Balance at December 31, 2022   | \$2,795,175                                       | \$3,833,804     | \$724,977         | \$60,354        | \$1,530,514             | \$(7,158)   | \$(88,000)  | \$8,849,666 | \$125,994                | \$8,975,660  |
| A1   | Balance at January 1, 2023   | \$2,795,175                                       | \$3,833,804     | \$724,977         | \$60,354        | \$1,530,514             | \$(7,158)   | \$(88,000)  | \$8,849,666 | \$125,994                | \$8,975,660  |
| D1   | Net income (loss), 2023  |   |                 |                   |                 | 327,211                 |   |   | 327,211     | (2,548)                  | 324,663      |
| D3   | Other comprehensive income, 2023   |   |                 |                   |                 | 4,158                   | (7,432)   | (2,902)   | (6,176)     | 84                       | (6,092)      |
| D5   | Total comprehensive income   | -   | -               | -                 | -               | 331,369                 | (7,432)   | (2,902)   | 321,035     | (2,464)                  | 318,571      |
|      | Appropriation and distribution of earnings in 2022                               |   |                 |                   |                 |                         |   |   |             |                          |              |
| B1   | Legal reserve  |   |                 | 64,290            |                 | (64,290)                |   |   | -           |                          | -            |
| B3   | Special reserve  |   |                 |                   | 34,804          | (34,804)                |   |   | -           |                          | -            |
| B5   | Cash dividends of common stock   |   |                 |                   |                 | (447,228)               |   |   | (447,228)   |                          | (447,228)    |
| Q1   | Disposals of equity instruments at fair value through other comprehensive income |   |                 |                   |                 | 7,115                   |   | (7,115)   | -           |                          | -            |
| O1   | Decrease in non-controlling interests  |   |                 |                   |                 |                         |   |   |             | (5,127)                  | (5,127)      |
| Z1   | Balance at December 31, 2023   | \$2,795,175                                       | \$3,833,804     | \$789,267         | \$95,158        | \$1,322,676             | \$(14,590)  | \$(98,017)  | \$8,723,473 | \$118,403                | \$8,841,876  |

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated statements of cash flows

For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Code   | Item   | For the year ended<br>December 31, 2023 | For the year ended<br>December 31, 2022 |
|--------|--|---|---|
|        | Cash flows from operating activities :   |   |   |
| A10000 | Income before tax  | \$362,600                               | \$768,498                               |
| A20000 | Adjustments for :  |   |   |
| A20010 | Items of income and expenses :   |   |   |
| A20100 | Depreciation expenses  | 711,179                                 | 641,763                                 |
| A20200 | Amortization expenses  | 4,735                                   | 5,328                                   |
| A20300 | Expected credit impairment losses  | 28,298                                  | 15,020                                  |
| A20400 | Net losses on financial assets and liabilities at fair value through profit or loss        | 1,650                                   | 10,939                                  |
| A20900 | Interest expenses  | 186,861                                 | 125,587                                 |
| A21200 | Interest income  | (10,034)                                | (3,078)                                 |
| A22300 | Share of profit or loss of associates and joint ventures accounted for using equity method | (20,323)                                | (7,836)                                 |
| A22500 | Gains on disposals of property, plant and equipment  | (5,471)                                 | (6,823)                                 |
| A24100 | Unrealized exchange gains  | -                                       | (37,065)                                |
| A30000 | Net changes in operating assets and liabilities :  |   |   |
| A31130 | Decrease (increase) in notes receivables   | (18,005)                                | 49,917                                  |
| A31150 | Decrease (increase) in accounts receivables  | 296,489                                 | (348,686)                               |
| A31180 | Decrease (increase) in other receivables   | 100,979                                 | (74,611)                                |
| A31200 | Decrease (increase) in inventories   | 117,788                                 | (393,085)                               |
| A31240 | Decrease in other current assets   | 118,014                                 | 11,257                                  |
| B06700 | Increase in other non-current assets   | (64,140)                                | (40,621)                                |
| A32130 | Decrease in notes payables   | (101,020)                               | (396,629)                               |
| A32150 | Decrease in accounts payables  | (391,344)                               | (211,638)                               |
| A32180 | Decrease in other payables   | (259,024)                               | (111,860)                               |
| A32230 | Increase in other current liabilities  | 81,790                                  | 39,915                                  |
| C04300 | Decrease in other non-current liabilities  | (8,919)                                 | (6,410)                                 |
| A33000 | Cash generated from operations   | 1,132,103                               | 29,882                                  |
| A33100 | Interests received   | 10,034                                  | 2,606                                   |
| A33300 | Interests paid   | (185,138)                               | (128,699)                               |
| A33500 | Income tax paid  | (104,754)                               | (54,694)                                |
| AAAA   | Net cash flows generated from (used in) operating activities                               | 852,245                                 | (150,905)                               |

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated statements of cash flows (cont.)

For the years ended December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

| Code   | Item  | For the year ended<br>December 31, 2023 | For the year ended<br>December 31, 2022 |
|--------|---|---|---|
|        | Cash flows from investing activities :                                      |   |   |
| B00020 | Disposals of financial assets at fair value through other comprehensive inc | 8,229                                   | 29,077                                  |
| B00040 | Acquisitions of financial assets at amortized cost                          | (3,830)                                 | (169,330)                               |
| B00010 | Acquisitions of financial assets at fair value through other comprehensive  | (94,963)                                | (4,519)                                 |
| B00050 | Disposals of financial assets at amortized cost                             | 162,070                                 | -                                       |
| B00100 | Acquisitions of financial assets at fair value through profit or loss       | (6,604)                                 | (21,501)                                |
| B00200 | Disposals of financial assets at fair value through profit or loss          | 1,191                                   | -                                       |
| B01800 | Acquisitions of investments accounted for using equity method               | -                                       | (5,000)                                 |
| B01900 | Disposals of investments accounted for using equity method                  | 983                                     | -                                       |
| B02700 | Acquisitions of property, plant and equipment                               | (874,435)                               | (1,394,627)                             |
| B02800 | Disposals of property, plant and equipment                                  | 10,973                                  | 8,015                                   |
| B03700 | Increase in guaranteed deposits paid  | (12,075)                                | (1,178)                                 |
| B04500 | Acquisitions of intangible assets   | (5,133)                                 | (6,177)                                 |
| B07100 | Increase in prepayments for equipment                                       | (129,337)                               | -                                       |
| B07600 | Dividends received  | 6,069                                   | 2,441                                   |
| B09900 | Other investing activities  | (4,831)                                 | -                                       |
| BBBB   | Net cash flows used in investing activities                                 | (941,693)                               | (1,562,799)                             |
|        | Cash flows from financing activities :                                      |   |   |
| C00100 | Increase in short-term borrowings   | 8,635,738                               | 732,184                                 |
| C00200 | Decrease in short-term borrowings   | (8,525,453)                             | -                                       |
| C00600 | Decrease in short-term notes payables                                       | (60,000)                                | (200,000)                               |
| C01600 | Increase in long-term borrowings  | 7,531,964                               | 4,272,971                               |
| C01700 | Repayments of long-term borrowings  | (7,304,888)                             | (2,641,889)                             |
| C03100 | Decrease in guaranteed deposits received                                    | (1,000)                                 | -                                       |
| C04020 | Repayments of principal of lease liabilities                                | (23,960)                                | (16,288)                                |
| C04500 | Cash dividends paid   | (447,228)                               | (381,541)                               |
| CCCC   | Net cash flows generated from (used in) financing activities                | (194,827)                               | 1,765,437                               |
| DDDD   | Effects of changes in exchange rate on cash                                 | (3,241)                                 | 72,809                                  |
| EEEE   | Net increase (decrease) in cash and cash equivalents                        | (287,516)                               | 124,542                                 |
| E00100 | Cash and cash equivalents at the beginning of period                        | 1,072,452                               | 947,910                                 |
| E00200 | Cash and cash equivalents at the end of period                              | \$784,936                               | \$1,072,452                             |

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

# Hota Industrial Manufacturing Company and Subsidiaries

## Notes to the consolidated financial statements

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

### (1) Company history

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

### (2) Approval date and procedures of the consolidated financial statements

The consolidated financial statements for the years ended December 31, 2023 and 2022 of the Company and subsidiaries (“the Group”) were authorized for issue by the Board of Directors on March 14, 2024.

### (3) New standards, amendments and interpretations adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The objective of the project is to deal with the inconsistency between the rules in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” about sale of subsidiary to its associates or joint venture and loss of control. According to IAS 28, the gain or loss resulting from the contribution of non-monetary assets to an associate or a joint venture in exchange for an equity interest in that associate or joint venture shall be eliminated by the same way as a downstream transaction. According to IFRS 10, the gain or loss associated with the loss of control shall be recognized in full. The amendments limit the aforementioned rules of IAS 28. The gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.

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

2) Amendments to IFRS 17 "Insurance Contract"

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

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

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

3) Amendments to IAS 21 "Lack of Exchangeability"

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

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

(4) Summary of significant accounting policies

1. Statement of compliance

The accompanying consolidated financial statements for the years ended December 31, 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission

2. Basis of preparation

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

3. Basis of consolidation



Basis of preparation of consolidated financial statements

The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Especially, the Company controls an investee if and only if the Company has all the following :

- 1) Power over the investee (the Company has existing rights that give it the current ability to participate in the direction of the relevant activities)
- 2) Exposure, or rights, to variable returns from its involvement with the investee, and
- 3) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Company directly or indirectly holds fewer voting rights or similar rights than majority of other investors, determining whether the Company has the power over the investee shall takes into account all relevant facts and circumstances, including :

- 1) the agreements between the investee and other voting rights holders
- 2) rights arising from other agreements
- 3) voting right and potential voting rights

The Company shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Subsidiaries are fully consolidated from the date of acquisition (the date on which the Company obtains control), and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of subsidiaries is attributed to the shareholders of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, the Company shall

- 1) derecognize the assets (including goodwill) and liabilities of the former subsidiary ;
- 2) derecognize any carrying amount of non-controlling interests ;
- 3) recognize the fair value of consideration received ;
- 4) recognize any investment retained in the former subsidiary by fair value ;
- 5) recognize all the gains or losses as profit or loss in the current period ;
- 6) reclassify the amount recognized in other comprehensive income by the parent company to profit or loss in the current period.

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

The consolidated entities are as follows :

| Name of investor company | Name of subsidiary (sub-subsidiary)                  | Main business   | Percentage of ownership |                   |
|--------------------------|--|---|-------------------------|-------------------|
|                          |  |   | December 31, 2023       | December 31, 2022 |
| The Company              | Hozuan Investment Company Limited (“Hozuan”)         | General investment business   | 100%                    | 100%              |
| The Company              | Howin Precision Company Limited (“Howin”)            | Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts | 61.05%                  | 61.05%            |
| The Company              | HOTATECH, INC.                                       | Sales of various precision gears for automobiles and investment business  | 100%                    | 100%              |
| The Company              | HOTA USA INC. (Note 3)                               | Sales of various precision gears for automobiles and investment business  | 100%                    | -                 |
| The Company              | CAPTAIN HOLDING CO., LTD.                            | Holding company   | 100%                    | 100%              |
| The Company              | Juda Intelligent Technology (“Juda”) (Note 2)        | Manufacturing and sales various of precision gears for automobiles and motorbikes   | 100%                    | 83.33%            |
| The Company              | Hefu Construction Co., Ltd. (“Hefu”)                 | Construction and investment development of residences, apartments and mixed residential office buildings  | 50%                     | 50%               |
| The Company              | Helun Precision Co., Ltd. (“Helun Ltd.”) (Note 1)    | Manufacturing and sales various of precision gears for automobiles and motorbikes   | 100%                    | 100%              |
| HOTA USA INC.            | Hota Industries, LLC (Note 3)                        | Manufacturing and sales various of precision gears for automobiles  | 100%                    | -                 |
| CAPTAIN HOLDING CO.,LTD. | Howon (Whaian) Automobile Components Company Limited | Manufacturing and sales of automobile gearboxes and gears   | 100%                    | 100%              |

Note 1: The Group established the subsidiary, Helun Precision Co., Ltd. in January, 2022.

Note 2: The Group acquired the remaining 16.67% of shares of Juda from the related party, KAO FONG MACHINERY CO., LTD., by cash in March, 2023. The change of registration has been completed in April, 2023.

Note 3: The Group established the subsidiary, HOTA USA INC., and reinvest in the establishment of HOTA Industries, LLC, as an operating entity in the USA.

#### 4. Foreign currencies transactions

The consolidated financial statements are expressed in the Company’s functional currency, “New Taiwan Dollar.” The entities of the Group determine their functional currencies at their own discretion, and shall measure the financial statements by the functional currencies.

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

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

- 1) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- 2) Foreign currency items within the scope of IFRS 9 “Financial Instruments” are accounted for based on the accounting policy for financial instruments.
- 3) Exchange differences arising on a monetary item that is part of a reporting entity’s net investment in a foreign

operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of such investment.

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

5. Translation of financial statements denominated in foreign currencies

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

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

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

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

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

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

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

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

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## 7. Cash and cash equivalents

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

## 8. Financial instruments

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

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

### 1) Recognition and measurement of financial assets

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

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

- A. The Group’s business model for managing the asset
- B. The asset’s contractual cash flow characteristics

### Financial assets at amortized cost

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

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

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

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

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

financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

#### Financial asset at fair value through OCI

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

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

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

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial assets is derecognized or reclassified.
- B. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest income shall be calculated by using the effective interest method and recognized in profit or loss. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for :
  - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (b) Financial assets that are not purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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

#### Financial assets at fair value through profit or loss

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

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

#### 2) Impairment of financial assets

For investments in debt instrument at fair value through other comprehensive income and financial assets

at amortized cost, the Group recognizes and measure loss allowance by expected credit loss. The loss allowance of investments in debt instrument at fair value through other comprehensive income is recognized in other comprehensive income, and do not eliminate the carrying amount of the investments. The measurement of expected credit losses of a financial instrument should reflect :

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

Loss allowance is measured as follows :

- A. Equal to 12-month expected credit losses : If the credit risk on a financial instrument has not increased significantly since initial recognition, or financial assets are determined to be with low credit risk, the Group shall measure the loss allowance for that financial assets at an amount equal to 12-month expected credit losses. Besides, if the Group has measured the loss allowance for a financial instrument at an amount equal to life time expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions are no longer met, the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.
- B. Equal to lifetime expected credit losses : If the credit risk on a financial instrument has increased significantly since initial recognition, or financial assets are purchased or originated credit-impaired, the Group shall measure the loss allowance for that financial assets at an amount equal to lifetime expected credit losses.
- C. The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for accounts receivables or contract assets that result from transactions that are within the scope of IFRS 15.
- D. The Group shall measure the loss allowance at an amount equal to lifetime expected credit losses for lease receivables that result from transactions that are within the scope of IFRS 16.

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

### 3) Derecognition of financial assets

The Group shall derecognize the financial assets when :

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

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

### 4) Financial liabilities and equity instruments

#### Classification of liabilities or equity

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

#### Equity instruments

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

#### Financial liabilities

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

#### Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

#### Financial liabilities at amortized cost

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

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

#### Derecognition of financial liabilities

The Group shall remove a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between the Group and the lender of debt instruments with substantially different terms or a substantial modification of the terms of an existing financial liability (whether or not attributable to the

financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit or loss.

#### 5) Offset of financial assets and financial liabilities

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

### 9. Fair value measurement

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

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

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

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

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

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

### 10. Inventories

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

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

Materials — cost of purchase, by FIFO.

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

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

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

### 11. Investments accounted for using equity method

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



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

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

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to "capital surplus," and "investments accounted for using equity method." If the Group's ownership interest in an associate is reduced, the Group shall reclassify to profit or loss or other appropriate account the proportion of the gain or loss that had previously been recognized in other comprehensive income. The aforementioned capital surplus shall be transferred to profit or loss by the percentage of disposal at disposal of associates subsequently.

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

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

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

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

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

## 12. Property, plant and equipment

Property, plant and equipment are initially recognized by acquisition cost, and subsequently measured at cost less accumulated depreciation and accumulated impairment. Costs include any

incremental costs that are directly attributable to the disassembly, removal, and recovery of the item of property, plant and equipment or borrowing costs eligible for capitalization. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The carrying value of the replaced items shall be derecognized based on IAS 16 “Property, Plant, and Equipment.” When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant, and equipment as a replacement if the recognition criteria are satisfied. Other fix and maintenance cost are recognized in profit or loss. Straight-line method is used to allocate the depreciable amount of an asset over its useful life as follows:

| Asset                    | Useful life  |
|--------------------------|--------------|
| Buildings and structures | 6 – 50 years |
| Machinery equipment      | 3 – 26 years |
| Transportation equipment | 2 – 16 years |
| Hydroelectric equipment  | 5 – 20 years |
| Other equipment          | 2 – 25 years |

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

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

### 13. Investment properties

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

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

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

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

### 14. Lease

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

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

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

#### The Group as the lessee

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

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

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

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

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

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

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

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

the lease term.

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

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

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

#### The Group as the lessor

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

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

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

### 15. Intangible assets

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

The useful lives of intangible assets are finite

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

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

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

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

acquired

#### 16. Impairment of non-financial assets

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

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

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

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

#### 17. Provisions

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

##### Provisions for decommissioning, restoration and rehabilitation costs

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

#### 18. Revenue recognition

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

#### Sales of goods

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

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

#### 19. Borrowing costs

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

#### 20. Government grants

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

#### 21. Post-employment plans

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

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

For defined benefit plans, the defined benefit costs shall be recognized by using the Projected Unit Credit Method at the end of each reporting date based on actuaries' report. The remeasurements of the net defined benefit liability (asset) shall be recognized in other comprehensive income, and reflected in retained earnings immediately, comprising return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset),

and actuarial gains and losses. The Company shall recognize past service cost as an expense at the earlier of the following dates :

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

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

## 22. Income tax

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

### Current income tax

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

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

### Deferred income tax

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

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

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

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

- 1) the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss) ;
- 2) the deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint arrangements. The deferred tax asset shall be recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax

assets and liabilities reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside from profit or loss is not recognized in profit or loss but rather in other comprehensive income or directly in equity. Deferred tax assets shall be reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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



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

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

Estimates and assumptions

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

1) Fair value of financial instruments

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

2) Receivables — estimates on impairment losses

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

3) Inventory valuation

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

(6) Explanation of significant accounts

1. Cash and cash equivalents

|               | December 31,<br>2023 | December 31,<br>2022 |
|---------------|----------------------|----------------------|
| Cash on hand  | \$543                | \$4,778              |
| Bank deposits | 784,393              | 1,067,674            |
| Total         | <u>\$784,936</u>     | <u>\$1,072,452</u>   |

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

2. Financial assets at fair value through profit or loss — current

|  | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Mandatorily measured at fair value through profit or loss: |                      |                      |
| Stocks of listed companies                                 | \$18,089             | \$21,501             |
| Valuation adjustment                                       | (3,764)              | (10,939)             |
| Total  | <u>\$14,325</u>      | <u>\$10,562</u>      |

The profit or loss recognized arising from financial assets at fair value through profit or loss is as follows:

|  | 2023             | 2022             |
|--|------------------|------------------|
| Net gains (losses) of financial assets mandatorily measured at fair value through profit or loss | <u>\$(1,650)</u> | <u>\$(7,806)</u> |

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

3. Financial asset at fair value through other comprehensive income

|  | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Current items:   |                      |                      |
| Stocks of listed companies                               | \$119,856            | \$121,246            |
| Valuation adjustment                                     | (29,566)             | (37,511)             |
| Total  | <u>\$90,290</u>      | <u>\$83,735</u>      |
| Non-current items:                                       |                      |                      |
| Stocks of listed companies and stocks in emerging market | \$181,633            | \$92,703             |
| Valuation adjustment                                     | (40,993)             | (27,663)             |
| Total  | <u>\$140,640</u>     | <u>\$65,040</u>      |

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

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

|  | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Financial asset at fair value<br>through other comprehensive<br>income | <u>\$230,930</u>     | <u>\$148,775</u>     |

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

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

|  | 2023             | 2022              |
|--|------------------|-------------------|
| Changes in fair value<br>recognized in other<br>comprehensive income                   | \$4,287          | \$(7,451)         |
| Accumulated gains<br>transferred to retained<br>earnings arising from<br>derecognition | <u>(7,115)</u>   | <u>(5,528)</u>    |
| Total  | <u>\$(2,828)</u> | <u>\$(12,979)</u> |

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022 are \$230,930 and \$148,775, respectively.

The financial assets at fair value through other comprehensive income held by the Group were not pledged as collateral.

Please refer to Note 12, 4 and 9 for relevant information on price risks and fair value of financial assets at fair value through other comprehensive income.

4. Financial assets at amortized cost

|                               | December 31,<br>2023 | December 31,<br>2022 |
|-------------------------------|----------------------|----------------------|
| Current items:                |                      |                      |
| Time deposits (over 3 months) | \$-                  | \$155,095            |
| Restricted bank deposits      | <u>46,640</u>        | <u>49,753</u>        |
|                               | <u>\$46,640</u>      | <u>\$204,848</u>     |
| Non-current items             |                      |                      |
| Restricted bank deposits      | <u>\$-</u>           | <u>\$32</u>          |

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at amortized cost as of December 31, 2023 and 2022 are \$46,640 thousand and \$204,880 thousand, respectively.

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

5. Accounts receivables

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

|                       | December<br>31, 2023 | December 31,<br>2022 |
|-----------------------|----------------------|----------------------|
| Accounts receivables  | \$2,711,400          | \$3,008,645          |
| Less : loss allowance | (86,666)             | (59,124)             |
| Total                 | <u>\$2,624,734</u>   | <u>\$2,949,521</u>   |

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

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

Information on transfers of financial assets — recognition of transferred financial asset in its entirety  
The Group signed an accounts receivable factoring contract with O-Bank in January, 2018. According to the contract, when the Group sells accounts 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 the accounts receivables. The Group waives the risk of uncollectible accounts receivables but bears the burden by commercial disputes. As the Group neither provides collaterals nor any continuous participation in all the accounts receivables transferred, the Group has already derecognized the accounts receivable factored.

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

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

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

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

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

6. Inventories

|                 | December 31,<br>2023 | December 31,<br>2022 |
|-----------------|----------------------|----------------------|
| Raw materials   | \$557,635            | \$810,100            |
| Work in process | 1,415,387            | 1,416,550            |

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

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Finished goods          | 1,107,786          | 1,035,334          |
| Construction in process | 256,326            | 192,938            |
| Total                   | <u>\$3,337,134</u> | <u>\$3,454,922</u> |

The inventory costs recognized as costs of goods sold amounted to NT\$5,458,129 thousand and NT\$5,643,604 thousand, including inventory valuation losses of NT\$2,640 thousand and NT\$15,299 thousand for the years ended December 31, 2023 and 2022, respectively.

The inventories held by the Group were not pledged as collateral.

7. Investments accounted for using equity method

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

| Name of investee company                     | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Investments in associates:                   |                      |                      |
| KAO FONG MACHINERY CO., LTD.                 | \$257,739            | \$251,777            |
| LING WEI CO., LTD.                           | 45,090               | 44,920               |
| TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | 3,736                | 3,736                |
| TAKAWA SEIKI, INC.                           | 3,037                | 2,142                |
| Subtotal                                     | <u>309,602</u>       | <u>302,575</u>       |
| Less: accumulated impairment                 | <u>(3,736)</u>       | <u>(3,736)</u>       |
| Total  | <u>\$305,866</u>     | <u>\$298,839</u>     |
|  | <u>2023</u>          | <u>2022</u>          |
| Profit from continuing operations            | \$20,323             | \$7,836              |
| Other comprehensive income (net of tax)      | <u>(4,200)</u>       | <u>(25,959)</u>      |
| Total comprehensive income                   | <u>\$16,123</u>      | <u>\$(18,123)</u>    |

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

The investments in KAO FONG MACHINERY CO., LTD. are with public quoted prices. As of December 31, 2023 and 2022, the fair value amounted to NT\$277,373 thousand and NT\$179,119 thousand, respectively.

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

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

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

|                                    | 2023            | 2022           |
|------------------------------------|-----------------|----------------|
| KAO FONG<br>MACHINERY CO.,<br>LTD. | \$16,804        | \$7,651        |
| LING WEI CO., LTD.                 | 2,612           | 2,965          |
| TAKAWA SEIKI, INC.                 | 907             | (2,780)        |
| Total                              | <u>\$20,323</u> | <u>\$7,836</u> |

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

8. Property, plant and equipment

|  | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Property, plant and equipment for self-use | <u>\$14,044,490</u>  | <u>\$13,759,127</u>  |

|  | Land               | Buildings and<br>structures | Machinery<br>equipment | Other<br>equipment | Unfinished<br>construction<br>and equipment<br>pending<br>acceptance | Total               |
|--|--------------------|-----------------------------|------------------------|--------------------|--|---------------------|
| Cost:  |                    |                             |                        |                    |  |                     |
| January 1, 2023                                    | \$2,132,447        | \$4,873,374                 | \$9,809,891            | \$965,544          | \$545,458  | \$18,326,714        |
| Additions  | -                  | 18,065                      | 108,562                | 172,415            | 575,393  | 874,435             |
| Disposals  | -                  | (480)                       | (39,102)               | (74,031)           | -  | (113,613)           |
| Transfers  | -                  | 93,498                      | 2,413                  | 14,525             | 16,818   | 127,254             |
| Effects of changes<br>in foreign<br>exchange rates | (21)               | (7,448)                     | (8,431)                | 43,008             | 153  | 27,261              |
| December 31,<br>2023                               | <u>\$2,132,426</u> | <u>\$4,977,009</u>          | <u>9,873,333</u>       | <u>\$1,121,461</u> | <u>\$1,137,822</u>   | <u>\$19,242,051</u> |
| January 1, 2022                                    | \$1,908,710        | \$4,701,166                 | \$8,643,041            | \$791,865          | \$780,186  | \$16,824,968        |
| Additions  | 6,014              | 65,992                      | 614,038                | 206,316            | 482,449  | 1,374,809           |
| Disposals  | -                  | -                           | (78,079)               | (44,382)           | -  | (122,461)           |
| Transfers  | 205,129            | 81,490                      | 624,638                | 11,540             | (717,668)  | 205,129             |
| Effects of changes<br>in foreign<br>exchange rates | \$12,594           | 24,726                      | 6,253                  | 205                | 491  | 44,269              |
| December 31,<br>2022                               | <u>\$2,132,447</u> | <u>\$4,873,374</u>          | <u>\$9,809,891</u>     | <u>\$965,544</u>   | <u>\$545,458</u>   | <u>\$18,326,714</u> |
| Depreciation and<br>impairment:                    |                    |                             |                        |                    |  |                     |
| January 1, 2023                                    | \$-                | \$1,010,330                 | \$3,144,289            | \$412,968          | \$-  | \$4,567,587         |
| Depreciation                                       | -                  | 121,896                     | 411,190                | 155,542            | -  | 688,628             |
| Disposals  | -                  | -                           | (37,096)               | (71,015)           | -  | (108,111)           |
| Transfers  | -                  | (1)                         | -                      | -                  | -  | (1)                 |
| Effects of changes<br>in foreign<br>exchange rates | -                  | (695)                       | 6,734                  | 43,419             | -  | 49,458              |
| December 31,<br>2023                               | <u>\$-</u>         | <u>\$1,131,530</u>          | <u>\$3,525,117</u>     | <u>\$540,914</u>   | <u>\$-</u>   | <u>\$5,197,561</u>  |

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

|  | Land               | Buildings and structures | Machinery equipment | Other equipment  | Unfinished construction and equipment pending acceptance | Total               |
|--|--------------------|--------------------------|---------------------|------------------|--|---------------------|
| January 1, 2022                              | \$-                | \$889,644                | \$2,841,037         | \$329,272        | \$-  | \$4,059,953         |
| Depreciation                                 | -                  | 117,062                  | 379,127             | 127,648          | -  | 623,837             |
| Disposals                                    | -                  | -                        | (77,265)            | (44,004)         | -  | (121,269)           |
| Transfers                                    | -                  | -                        | -                   | -                | -  | -                   |
| Effects of changes in foreign exchange rates | -                  | 3,624                    | 1,390               | 52               | -  | 5,066               |
| December 31, 2022                            | <u>\$-</u>         | <u>\$1,010,330</u>       | <u>\$3,144,289</u>  | <u>\$412,968</u> | <u>\$-</u>   | <u>\$4,567,587</u>  |
| Net carrying amount                          |                    |                          |                     |                  |  |                     |
| December 31, 2023                            | <u>\$2,132,426</u> | <u>\$3,845,479</u>       | <u>\$6,348,216</u>  | <u>\$580,547</u> | <u>\$1,137,822</u>                                       | <u>\$14,044,490</u> |
| December 31, 2022                            | <u>\$2,132,447</u> | <u>\$3,863,044</u>       | <u>\$6,665,602</u>  | <u>\$522,576</u> | <u>\$545,458</u>   | <u>\$13,759,127</u> |

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

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

|                                    | 2023            | 2022            |
|------------------------------------|-----------------|-----------------|
| Capitalized amount                 | <u>\$28,656</u> | <u>\$17,720</u> |
| Capitalized interest rate interval | <u>1.96%</u>    | <u>1.40%</u>    |

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

9. Investment properties

|                      | Land            |
|----------------------|-----------------|
| Cost:                |                 |
| January 1, 2023      | <u>\$30,387</u> |
| December 31, 2023    | <u>\$30,387</u> |
| Cost:                |                 |
| January 1, 2022      | <u>\$30,387</u> |
| December 31, 2022    | <u>\$30,387</u> |
| Net carrying amount: |                 |
| December 31, 2023    | <u>\$30,387</u> |
| December 31, 2022    | <u>\$30,387</u> |

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

As the investment properties held by the Group are not measured at fair value, only fair value information is disclosed. The fair value hierarchy is level 3. The fair values of the investment

properties held by the Group amounted to both NT\$34,985 thousand as of December 31, 2023 and 2022. The aforementioned fair values were referred to the deal price in the similar zones in the website of Inquiry of Actual Price Registration of Real Estate Transactions by Ministry of the Interior, not valuated by external independent appraisers.

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

10. Other non-current assets

|                               | December 31, 2023 | December 31, 2022 |
|-------------------------------|-------------------|-------------------|
| Prepayments for equipment     | \$182,356         | \$52,750          |
| Guaranteed deposits paid      | 74,031            | 62,116            |
| Prepayments for constructions | -                 | 14,388            |
| Other non-current assets      | 10,557            | 41,853            |
| Total                         | <u>\$266,944</u>  | <u>\$171,107</u>  |

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

11. Short-term borrowings

|                      | December 31, 2023  | December 31, 2022  |
|----------------------|--------------------|--------------------|
| Unsecured bank loans | \$1,792,184        | \$1,895,484        |
| Secured bank loans   | 377,300            | 165,000            |
| Total                | <u>\$2,169,484</u> | <u>\$2,060,484</u> |

As of December 31, 2023, the unused credit lines for short-term borrowings amounted to NT\$553,261 thousand.

|                        | 2023        | 2022        |
|------------------------|-------------|-------------|
| Interest rate interval |             |             |
| Unsecured bank loans   | 1.25%~7.56% | 1.11%~5.50% |
| Secured bank loans     | 1.25%~6.82% | 1.30%~2.09% |

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

12. Short-term notes payables

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



13. Other payables

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Payroll payables                                      | \$89,599             | \$121,638            |
| Employees' bonus and directors' remuneration payables | 12,469               | 14,708               |
| Payables for equipment                                | 110,089              | 208,354              |
| Freight payables                                      | 55,374               | 98,452               |
| Others  | 224,646              | 306,326              |
| Total   | <u>\$492,177</u>     | <u>\$749,478</u>     |

14. Long-term borrowings

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

| Type of borrowing                           | December<br>31, 2023 | Interest rate | Repayment period and<br>method   |
|---|----------------------|---------------|--|
| Syndicated secured loan—Land Bank of Taiwan | \$2,700,000          | 2.257%~2.26%  | The loan shall be repaid since March 24, 2024 in every six months, until March 24, 2025. |
| Secured bank loans                          | 3,265,753            | 0.6%~5.75%    | Successively due by March, 2039 (repay in installments)                                  |
| Unsecured bank loans                        | 2,269,222            | 0.6%~7.12%    | Successively due by October, 2029 (repay in installments)                                |
| Subtotal                                    | <u>8,234,975</u>     |               |  |
| Less: current portion                       | (1,390,203)          |               |  |
| Less: discounts from government grant       | (36,141)             |               |  |
| Net amount                                  | <u>\$6,808,631</u>   |               |  |

| Type of borrowing                           | December<br>31, 2022 | Interest rate | Repayment period and<br>method   |
|---|----------------------|---------------|--|
| Syndicated secured loan—Land Bank of Taiwan | \$1,900,000          | 1.96%~2.01%   | The loan shall be repaid since March 24, 2024 in every six months, until March 24, 2026. |
| Secured bank loans                          | 3,531,200            | 0.10%~6.00%   | Successively due by March, 2039 (repay in installments)                                  |
| Unsecured bank loans                        | 2,606,054            | 0.10%~2.98%   | Successively due by October, 2029 (repay in installments)                                |
| Subtotal                                    | <u>8,037,254</u>     |               |  |
| Less: current portion                       | (1,243,405)          |               |  |
| Less: discounts from government grant       | (49,669)             |               |  |
| Net amount                                  | <u>\$6,744,180</u>   |               |  |

- 1) The Company signed a “syndicated secured loan contract,” amounting to NT\$5,000,000 thousand, with the group of syndicated loan banks, including Land Bank of Taiwan, and

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

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

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

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

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

#### 15. Government grants

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

#### 16. Pension

##### Defined contribution plan

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

Based on local government regulations, the subsidiaries in Mainland China shall make contribution of a certain percentage based on each individual employee’s total salary or wage to related department of the government. The pension contributions are saved in employees’ independent pension accounts.

The subsidiaries and branches in other foreign countries of the Group make pension contribution to related pension management institutes based on local regulations.

The defined contribution plan of HOTATECH, INC. applies for formal employees serving for more than one year. Employees may contribute no more than 15% of salaries or wages into independent pension account, and the company shall contribute an amount equals to a certain ration of employees' contribution into the independent pension accounts, and recognize as current expenses.

The pension expenses of defined contribution plan amounted to NT\$27,106 thousand and NT\$40,450 thousand for the years ended December 31, 2023 and 2022, respectively.

#### Defined benefit plan

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

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

As of December 31, 2023, the defined benefit plan is expected to be due after 6.5 years.

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

|  | 2023           | 2022           |
|--|----------------|----------------|
| Current service cost                                     | \$631          | \$819          |
| Net interest of net defined benefit liabilities (assets) | 596            | 446            |
| Total  | <u>\$1,227</u> | <u>\$1,265</u> |

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

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

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Present value of defined benefit obligations  | \$158,858            | \$178,338            |
| Fair value of plan assets   | (115,378)            | (127,476)            |
| Other non-current liabilities — the carrying amount of net defined benefit liabilities (assets) | \$ 43,480            | \$50,862             |

Reconciliation of net defined benefit liabilities (assets):

|  | Present value<br>of defined<br>benefit<br>obligations | Fair value of<br>plan assets | Net defined<br>benefit<br>liabilities<br>(assets) |
|--|---|------------------------------|---|
| January 1, 2022  | \$189,564   | \$(121,096)                  | \$68,468  |
| Current service cost   | 819   | -                            | 819   |
| Interest expenses (revenue)                                      | 1,245   | (799)                        | 446   |
| Subtotal   | 191,628   | (121,895)                    | 69,733  |
| Remeasurement of defined benefit liabilities/ assets :           |   |                              |   |
| Actuarial gains and losses on changes in demographic assumptions | 2   | -                            | 2   |
| Actuarial gains and losses on changes in financial assumptions   | (6,274)   | -                            | (6,274)   |
| Experience adjustment  | (546)   | -                            | (546)   |
| Remeasurement of defined benefit assets                          | -   | (9,375)                      | (9,375)   |
| Subtotal   | (6,818)   | (9,375)                      | (16,193)  |
| Benefits paid  | (6,472)   | 6,472                        | -   |
| Funding by employers   | -   | (2,678)                      | (2,678)   |
| December 31, 2022  | 178,338   | (127,476)                    | 50,862  |
| Current service cost   | 631   | -                            | 631   |
| Interest expenses (revenue)                                      | 1,992   | (1,396)                      | 596   |
| Subtotal   | 180,961   | (128,872)                    | 52,089  |
| Remeasurement of defined benefit liabilities/ assets :           |   |                              |   |
| Actuarial gains and losses on changes in demographic assumptions | 9   | -                            | 9   |
| Actuarial gains and losses on changes in financial assumptions   | -   | -                            | -   |
| Experience adjustment  | (5,420)   | (100)                        | (5,520)   |
| Remeasurement of defined benefit assets                          | -   | (1,164)                      | (1,164)   |
| Subtotal   | (5,411)   | (1,264)                      | (6,675)   |
| Benefits paid  | (16,692)  | 16,692                       | -   |
| Funding by employers   | -   | (1,934)                      | (1,934)   |
| December 31, 2023  | \$158,858   | \$(115,378)                  | \$43,480  |

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

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Discount rate                           | 1.20%                | 1.20%                |
| Rate of expected future salary increase | 3.00%                | 3.00%                |

The sensitivity analysis of each significant actuarial assumption:

|  | 2023                                |                                     | 2022                                |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Defined benefit obligation increase | Defined benefit obligation decrease | Defined benefit obligation increase | Defined benefit obligation decrease |
| Discount rate increase by 0.25%          | \$-                                 | \$2,588                             | \$-                                 | \$2,967                             |
| Discount rate decrease by 0.25%          | 2,704                               | -                                   | 3,066                               | -                                   |
| Expected future salary increase by 0.25% | 2,397                               | -                                   | 3,007                               | -                                   |
| Expected future salary decrease by 0.25% | -                                   | 2,309                               | -                                   | 2,924                               |

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

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

## 17. Equity

### 1) Common stocks

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

### 2) Capital surplus

|  | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Additional paid-in capital                                   | \$3,804,533          | \$3,804,533          |
| Changes in interests in ownership of subsidiaries recognized | 5,667                | 5,667                |
| Gains on disposals of assets                                 | 309                  | 309                  |
| Employee stock options                                       | 23,295               | 23,295               |
| Total  | <u>\$3,833,804</u>   | <u>\$3,833,804</u>   |

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

### 3) Profits distribution and dividend policies

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

- A. payment of all taxes and dues;
- B. offsetting losses in prior years;
- C. setting aside a legal capital reserve at 10% of the profits left over;
- D. setting aside or rotating special reserve according to the rule set out by the government

- authority in charge;
- E. payment of dividends to shareholders of preferred stock, with accumulated undistributed dividends;
- F. setting aside employees' remuneration at no less than 2% of the profit, and directors' remuneration at no higher than 5% of the profit. The board of directors would draw up the earnings distribution proposal for the residual profit, and submit to the shareholders meeting for resolution.

The Company dividend policies are as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ratio for cash dividend shall not be lower than 20% of total distribution.

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

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

According to the approval letter with reference number Financial-Supervisory-Securities-Corporate-1090150022 issued on March 31, 2021, on the Company's first-time adoption of IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the Company elects to transfer to retained earnings by application of the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards," the Company shall set aside an equal amount of special reserve. When the Company uses, disposes, or reclassifies related assets, the special reserve in proportion to the appropriation may be reversed for profits distribution.

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

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

Please refer to Note 6.22 for the information on the estimation basis and recognized amounts of employees' and directors' remuneration.

18. Non-controlling interests

|  | 2023      | 2022      |
|--|-----------|-----------|
| Beginning balance  | \$125,994 | \$121,023 |
| Net profit (loss) attributable to non-controlling<br>interests           | (2,548)   | 5,115     |
| Other comprehensive income attributable to non-<br>controlling interests |           |           |

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

|   |                  |                  |
|---|------------------|------------------|
| Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income | 84               | (144)            |
| Disposals of subsidiaries' shares   | <u>(5,127)</u>   | <u>-</u>         |
| Ending balance  | <u>\$118,403</u> | <u>\$125,994</u> |

19. Operating revenue

|                                       | 2023               | 2022               |
|---------------------------------------|--------------------|--------------------|
| Revenue from contracts with customers |                    |                    |
| Revenue from sales of goods           | <u>\$6,599,230</u> | <u>\$7,339,165</u> |

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

1) Classification of revenue

2023

|                             | USA                | China            | Taiwan           | Europe             | Other areas      | Total              |
|-----------------------------|--------------------|------------------|------------------|--------------------|------------------|--------------------|
| Revenue from sales of goods | <u>\$3,611,939</u> | <u>\$543,810</u> | <u>\$227,665</u> | <u>\$1,753,084</u> | <u>\$462,732</u> | <u>\$6,599,230</u> |

2022

|                             | USA                | China            | Taiwan           | Europe             | Other areas      | Total              |
|-----------------------------|--------------------|------------------|------------------|--------------------|------------------|--------------------|
| Revenue from sales of goods | <u>\$4,108,941</u> | <u>\$757,709</u> | <u>\$296,370</u> | <u>\$1,615,239</u> | <u>\$560,906</u> | <u>\$7,339,165</u> |

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

20. Expected credit losses

|   | 2023            | 2022            |
|---|-----------------|-----------------|
| Operating expenses — expected credit losses |                 |                 |
| Accounts receivables                        | <u>\$28,298</u> | <u>\$15,020</u> |

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

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

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

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

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

December 31, 2023

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

|                           | Undue<br>(Note) | Days overdue |                 |                 |                  | Total       |
|---------------------------|-----------------|--------------|-----------------|-----------------|------------------|-------------|
|                           |                 | 0-120 days   | 121-240<br>days | 241-361<br>days | Over 361<br>days |             |
| Total carrying amount     | \$1,793,251     | \$583,436    | \$129,469       | \$107,121       | \$117,097        | \$2,730,374 |
| Loss rate                 | -%              | 0.19%        | 0.62%           | 4.80%           | 68.00%           |             |
| Life-time expected credit | -               | (1,096)      | (802)           | (5,142)         | (79,626)         | (86,666)    |
| Carrying amount           | \$1,793,251     | \$582,339    | \$128,667       | \$101,979       | \$37,471         | \$2,643,707 |

December 31, 2022

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

|                           | Undue<br>(Note) | Days overdue |                 |                 |                  | Total       |
|---------------------------|-----------------|--------------|-----------------|-----------------|------------------|-------------|
|                           |                 | 0-120 days   | 121-240<br>days | 241-361<br>days | Over 361<br>days |             |
| Total carrying amount     | \$2,404,401     | \$387,399    | \$140,475       | \$27,460        | \$49,878         | \$3,009,613 |
| Loss rate                 | 0.02%           | 0.53%        | 0.56%           | 21.89%          | 100%             |             |
| Life-time expected credit | (415)           | (2,040)      | (781)           | (6,010)         | (49,878)         | (59,124)    |
| Carrying amount           | \$2,403,986     | \$385,359    | \$139,694       | \$21,450        | \$-              | \$2,950,489 |

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

|  | Notes<br>receivables | Accounts<br>receivables |
|--|----------------------|-------------------------|
| January 1, 2023                              | \$-                  | \$59,124                |
| Amount increased in current period           | -                    | 28,298                  |
| Amount written off due to uncollectibility   | -                    | -                       |
| Effects of changes in foreign exchange rates | -                    | (756)                   |
| December 31, 2023                            | \$-                  | \$86,666                |
| January 1, 2022                              | \$-                  | \$52,708                |
| Amount increased in current period           | -                    | 15,020                  |
| Amount written off due to uncollectibility   | -                    | -                       |
| Effects of changes in foreign exchange rates | -                    | (8,604)                 |
| December 31, 2022                            | \$-                  | \$59,124                |

## 21. Lease

### 1) The Group as the lessee

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

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

#### A. Amounts recognized in the balance sheets

##### a. Right-of-use assets



Carrying amount of right-of-use assets

|                          | December 31, 2023 | December 31, 2022 |
|--------------------------|-------------------|-------------------|
| Land                     | \$276,936         | \$281,759         |
| Buildings and structures | 41,783            | 18,299            |
| Machinery equipment      | 13,711            | 16,598            |
| Transportation equipment | -                 | 134               |
| Total                    | <u>\$332,430</u>  | <u>\$316,790</u>  |

The additions in right-of-use assets for the years ended December 31, 2023 and 2022 amounted to NT\$38,702 thousand and NT\$25,974 thousand, respectively.

b. Lease liabilities

|             | December 31, 2023 | December 31, 2022 |
|-------------|-------------------|-------------------|
| Current     | \$22,613          | \$22,952          |
| Non-current | 274,435           | 258,391           |
| Total       | <u>\$297,048</u>  | <u>\$281,343</u>  |

Please refer to Note 6.23(4), finance costs, for the interest expenses arising from lease liabilities for the years ended December 31, 2023 and 2022. Please refer to Note 12.6, liquidity risk management, for the maturity analysis of lease liabilities as of December 31, 2023 and 2022.

B. Amounts recognized in statements of comprehensive income

Depreciation of right-of-use assets

|                          | 2023            | 2022            |
|--------------------------|-----------------|-----------------|
| Land                     | \$8,031         | \$8,038         |
| Buildings and structures | 11,579          | 8,845           |
| Machinery equipment      | 2,887           | 722             |
| Transportation equipment | 54              | 321             |
| Total                    | <u>\$22,551</u> | <u>\$17,926</u> |

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

|                              | 2023           | 2022           |
|------------------------------|----------------|----------------|
| Expenses of short-term lease | <u>\$8,630</u> | <u>\$4,668</u> |

D. Cash outflows related to lease activities as a lessee

The total cash outflows arising from lease for the years ended December 31, 2023 and 2022 amounted to NT\$36,866 thousand and NT\$25,170 thousand, respectively.

2) The Group as the lessor

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

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

|   | 2023     | 2022     |
|---|----------|----------|
| Relevant gains from fixed lease payments and variable lease payment depending on an index or a rate | \$30,436 | \$28,844 |

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

|                                 | December 31,<br>2023 | December 31,<br>2022 |
|---------------------------------|----------------------|----------------------|
| Within 1 year                   | \$12,015             | \$14,099             |
| Over 1 year but within 2 years  | 6,209                | 11,495               |
| Over 2 years but within 3 years | 203                  | 12,015               |
| Over 3 years but within 4 years | 50                   | 6,209                |
| Over 4 years but within 5 years | 50                   | 203                  |
| Over 5 years                    | 400                  | 500                  |
| Total                           | \$18,927             | \$44,521             |

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

| By nature \<br>By function       | 2023                                    |  |           | 2022                                    |  |           |
|----------------------------------|---|--|-----------|---|--|-----------|
|                                  | Reco<br>gnized in<br>operating<br>costs | Reco<br>gnized in<br>operating<br>expenses | Total     | Reco<br>gnized in<br>operating<br>costs | Reco<br>gnized in<br>operating<br>expenses | Total     |
| Employee benefits                |   |  |           |   |  |           |
| Payroll expenses                 | \$666,345                               | \$155,437                                  | \$821,782 | \$730,667                               | \$170,883                                  | \$901,550 |
| Labor and health insurance       | 73,322                                  | 14,560                                     | 87,882    | 68,102                                  | 13,759                                     | 81,861    |
| Pension expenses                 | 28,247                                  | 8,061                                      | 36,308    | 29,346                                  | 10,946                                     | 40,292    |
| Other employee benefits expenses | 53,728                                  | 12,355                                     | 66,083    | 56,605                                  | 14,063                                     | 70,668    |
| Depreciation expenses            | 677,680                                 | 33,499                                     | 711,179   | 605,279                                 | 36,485                                     | 641,764   |
| Amortization expenses            | 2,660                                   | 2,075                                      | 4,735     | 2,876                                   | 2,452                                      | 5,328     |

According to the Company's Articles of Incorporation, the Company shall allocate remuneration to employees at the rate no less than 2% of annual profits, and to directors at the rate of no higher than 5% of annual profits during the period; provided, however, that when the Company has

accumulated losses, the profits shall be preserved to make up for losses, before distributing to employees and directors. The employees' remuneration shall be distributed in stock or cash. The resolution shall be made by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors, and reported to the shareholders meeting. The information about the employees' and directors' remuneration resolved by the board of directors is available at the Market Observation Post System website.

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

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

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

### 23. Non-operating income and expenses

#### 1) Interest income

|                                    | 2023            | 2022           |
|------------------------------------|-----------------|----------------|
| Financial assets at amortized cost | \$9,762         | \$2,465        |
| Other interest income              | 272             | 613            |
| Total                              | <u>\$10,034</u> | <u>\$3,078</u> |

#### 2) Other income

|                                | 2023            | 2022            |
|--------------------------------|-----------------|-----------------|
| Rent income                    | \$30,436        | \$28,844        |
| Revenue from government grants | 11,138          | 10,487          |
| Dividend income                | 4,932           | 5,341           |
| Other income—others            | 39,545          | 32,683          |
| Total                          | <u>\$86,051</u> | <u>\$77,355</u> |

#### 3) Other gains and losses

| 2023 | 2022 |
|------|------|
|------|------|

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

|  |                 |                  |
|--|-----------------|------------------|
| Gains on disposal of property, plant and equipment             | \$5,471         | \$6,823          |
| Foreign exchange net gains                                     | 16,679          | 269,464          |
| Losses on financial asset at fair value through profit or loss | (1,650)         | (7,806)          |
| Miscellaneous expenses   | (3,038)         | (1,601)          |
| Total  | <u>\$17,462</u> | <u>\$266,880</u> |

4) Finance costs

|  | 2023             | 2022             |
|--|------------------|------------------|
| Interests arising from bank loans        | \$182,585        | \$121,373        |
| Interests arising from lease liabilities | 4,276            | 4,214            |
| Total                                    | <u>\$186,861</u> | <u>\$125,587</u> |

24. Other comprehensive income

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

|   | Arising in<br>current<br>period | Reclassifica<br>tion in<br>current<br>period | Other<br>comprehensiv<br>e income | Income tax<br>benefits<br>(expenses) | Amount net<br>of tax |
|---|---------------------------------|--|-----------------------------------|--------------------------------------|----------------------|
| Items not to be reclassified into profit or loss:   |                                 |  |                                   |                                      |                      |
| Remeasurements of defined benefit plans   | \$5,525                         | \$-  | \$5,525                           | \$(1,140)                            | \$4,385              |
| Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income  | 4,287                           | -  | 4,287                             | -                                    | 4,287                |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method—items that will not be reclassified subsequently to profit or loss | (2,746)                         | -  | (2,746)                           | -                                    | (2,746)              |
| Items that may be reclassified subsequently to profit or loss:  |                                 |  |                                   |                                      |                      |
| Exchange differences arising on translation of foreign operations   | (3,131)                         | -  | (3,131)                           | (3,306)                              | (6,437)              |
| Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income  | (4,127)                         | -  | (4,127)                           | -                                    | (4,127)              |
| Share of other comprehensive income of associates accounted for using equity method   | (1,454)                         | -  | (1,454)                           | -                                    | (1,454)              |
| Total   | <u>\$(1,646)</u>                | <u>\$-</u>                                   | <u>\$(1,646)</u>                  | <u>\$(4,446)</u>                     | <u>\$(6,092)</u>     |

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

|   | Arising in<br>current<br>period | Reclassifica<br>tion in<br>current<br>period | Other<br>comprehensiv<br>e income | Income tax<br>benefits<br>(expenses) | Amount net<br>of tax |
|---|---------------------------------|--|-----------------------------------|--------------------------------------|----------------------|
| Items not to be reclassified into profit or loss: |                                 |  |                                   |                                      |                      |
| Remeasurements of defined benefit plans           | \$15,289                        | \$-  | \$15,289                          | \$(2,923)                            | \$12,366             |

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

|   |                    |             |                    |                 |                    |
|---|--------------------|-------------|--------------------|-----------------|--------------------|
| Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income  | (7,451)            | -           | (7,451)            | -               | (7,451)            |
| Share of other comprehensive income of associates and joint ventures accounted for using equity method — items that will not be reclassified subsequently to profit or loss | (27,084)           | -           | (27,084)           | -               | (27,084)           |
| Items that may be reclassified subsequently to profit or loss:  |                    |             |                    |                 |                    |
| Exchange differences arising on translation of foreign operations   | 33,418             | -           | 33,418             | 2,013           | 35,431             |
| Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income  | (31,814)           | -           | (31,814)           | -               | (31,814)           |
| Share of other comprehensive income of associates accounted for using equity method   | 2,552              | -           | 2,552              | -               | 2,552              |
| Total   | <u>\$ (15,090)</u> | <u>\$ -</u> | <u>\$ (15,090)</u> | <u>\$ (910)</u> | <u>\$ (16,000)</u> |

## 25. Income tax

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

### Income tax recognized in profit or loss

|   | 2023            | 2022             |
|---|-----------------|------------------|
| Current income tax expenses (benefit):  |                 |                  |
| Current income tax payables   | \$97,822        | \$139,104        |
| Underestimation (overestimation) to income tax in prior years                             | (38,827)        | (11,860)         |
| Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings              | 3,882           | -                |
| Deferred income tax expenses:   |                 |                  |
| Deferred income tax expenses related to origination and reversal of temporary differences | (24,940)        | 12,181           |
| Income tax expenses   | <u>\$37,937</u> | <u>\$139,425</u> |

### Income tax recognized in other comprehensive income

|   | 2023             | 2022           |
|---|------------------|----------------|
| Current income tax expenses (benefit):                            |                  |                |
| Exchange differences arising on translation of foreign operations | \$(3,306)        | \$2,013        |
| Remeasurement of defined benefit plans                            | (1,140)          | (2,923)        |
| Income tax related to components of other comprehensive income    | <u>\$(4,446)</u> | <u>\$(910)</u> |

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

|  | 2023             | 2022             |
|--|------------------|------------------|
| Profit before tax from continuing operations | <u>\$362,600</u> | <u>\$768,498</u> |
| Tax payables at the enacted tax rates        | <u>\$72,520</u>  | <u>\$153,700</u> |

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

|  |                 |                  |
|--|-----------------|------------------|
| Effect of difference tax rates of operating entities in other tax regions    | 1,205           | (3,336)          |
| Tax effect of tax-exempt income  | (8,084)         | (4)              |
| Tax effect of non-deductible expenses  | 7,178           | 925              |
| Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings | 3,882           | -                |
| Adjustments in current period relating to current income tax in prior years  | (38,827)        | (11,860)         |
| Tax effect of other adjustments in accordance with tax laws                  | 63              | -                |
| Total income tax expenses recognized in profit or loss                       | <u>\$37,937</u> | <u>\$139,425</u> |

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

2023

|   | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance  |
|---|-------------------|------------------------------|--|-----------------|
| Temporary differences   |                   |                              |  |                 |
| Inventory valuation and obsolescence losses                         | \$23,312          | \$1,300                      | \$-                                      | \$24,612        |
| Unrealized exchange losses (gains)                                  | (7,341)           | 20,359                       | -  | 13,018          |
| Unrealized transactions among the entities in within the Group      | 2,800             | (268)                        | -  | 2,532           |
| Allowance for doubtful debts  | 4,496             | (485)                        | -  | 4,011           |
| Unrealized employees' bonus   | 1,992             | (1,536)                      | -  | 456             |
| Net defined benefit liabilities — non-current                       | 2,959             | -                            | (1,140)                                  | 1,819           |
| Book-tax difference in depreciation                                 | (37,254)          | 7,163                        | -  | (30,091)        |
| Exchange differences arising on translation of foreign operations   | (642)             | -                            | (3,306)                                  | (3,948)         |
| Gains and losses from investments accounted for using equity method | 12,737            | 1,709                        | -  | 14,446          |
| Land Value Increment Tax  | (1,417)           | -                            | -  | (1,417)         |
| Deferred income tax benefit (expenses)                              |                   | \$28,242                     | \$(4,446)                                |                 |
| Net deferred tax assets/(liabilities)                               | <u>\$1,642</u>    |                              |  | <u>\$25,438</u> |
| Information presented in balance sheets is as follows:              |                   |                              |  |                 |
| Deferred tax assets   | <u>\$48,296</u>   |                              |  | <u>\$48,391</u> |
| Deferred tax liabilities  | <u>\$46,654</u>   |                              |  | <u>\$22,953</u> |

2022

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

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

|   |                 |            |           |                 |
|---|-----------------|------------|-----------|-----------------|
| Inventory valuation and obsolescence losses                         | \$20,178        | \$3,134    | \$-       | \$23,312        |
| Unrealized exchange losses (gains)                                  | 11,478          | (18,819)   | -         | (7,341)         |
| Loss carryforwards  | 446             | (446)      | -         | -               |
| Unrealized transactions among the entities in within the Group      | 2,792           | 8          | -         | 2,800           |
| Allowance for doubtful debts  | 3,296           | 1,200      | -         | 4,496           |
| Unrealized employees' bonus   | 1,992           | -          | -         | 1,992           |
| Accrued pension expenses not provided                               | 29              | (29)       | -         | -               |
| Net defined benefit liabilities — non-current                       | 6,197           | -          | (3,238)   | 2,959           |
| Book-tax difference in right-of-use assets                          | 3,010           | (3,010)    | -         | -               |
| Book-tax difference in depreciation                                 | (42,593)        | 5,339      | -         | (37,254)        |
| Exchange differences arising on translation of foreign operations   | (2,656)         | -          | 2,014     | (642)           |
| Gains and losses from investments accounted for using equity method | 12,741          | (4)        | -         | 12,737          |
| Land Value Increment Tax  | (1,417)         | -          | -         | (1,417)         |
| Deferred income tax benefit (expenses)                              |                 | \$(12,627) | \$(1,224) |                 |
| Net deferred tax assets/(liabilities)                               | <u>\$15,493</u> |            |           | <u>\$1,642</u>  |
| Information presented in balance sheets is as follows:              |                 |            |           |                 |
| Deferred tax assets   | <u>\$62,159</u> |            |           | <u>\$48,296</u> |
| Deferred tax liabilities  | <u>\$46,666</u> |            |           | <u>\$46,654</u> |

Declaration and verification of income tax

As of December 31, 2023, the Group is under the tax jurisdiction of Taiwan. The declaration and verification of the Group's income tax are as follows:

|                                   | <u>Declaration and verification of<br/>income tax</u> |
|-----------------------------------|---|
| The Company                       | Verified until 2021                                   |
| Howin Precision Company Limited   | Verified until 2021                                   |
| Hozuan Investment Company Limited | Verified until 2021                                   |
| Juda Intelligent Technology       | Verified until 2020                                   |
| Hefu Construction Co., Ltd        | Verified until 2022                                   |
| Helun Precision Co., Ltd.         | Verified until 2022                                   |

As of December 31, 2023, the Group's foreign subsidiaries are under the tax jurisdiction of foreign government, and the tax has been declared until 2022.

26. Earnings per share

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

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

|   | 2023      | 2022      |
|---|-----------|-----------|
| 1) Basic earnings per share   |           |           |
| Net income for the year attributable to common stocks shareholders (NT\$ thousand)  | \$327,211 | \$623,958 |
| Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)                                  | 279,518   | 279,518   |
| Basic earnings per share (NT\$)   | \$1.17    | \$2.23    |
| 2) Diluted earnings per share   |           |           |
| Net income for the year attributable to common stocks shareholders after adjusting dilutive effects (NT\$ thousand)                     | \$327,211 | \$623,958 |
| Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)                                  | 279,518   | 279,518   |
| Dilutive effect   |           |           |
| Employees' remuneration—stock (thousands of shares) (Note)  | 136       | 247       |
| Weighted average number of common stocks outstanding of basic earnings per share after adjusting dilutive effects (thousands of shares) | 279,654   | 279,765   |
| Diluted earnings per share (NT\$)   | \$1.17    | \$2.23    |

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

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

(7) Related party transactions

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

Names and relationship of related parties



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

| Name of the related party                            | Relationship with the Company      |
|--|------------------------------------|
| KAO FONG MACHINERY CO., LTD.<br>(KAO FONG MACHINERY) | Associate of the Company           |
| GLOBAL TECHNOS LTD.(GLOBAL)                          | Other related party of the Company |
| MAIN DRIVE CORPORATION                               | Other related party of the Company |

1. Operating revenue

|                    | 2023           | 2022           |
|--------------------|----------------|----------------|
| KAO FONG MACHINERY | \$1,476        | \$1,629        |
| Others             | 2,002          | 5,258          |
| Total              | <u>\$3,478</u> | <u>\$6,887</u> |

The Group sells to the aforementioned associates based on general sales prices and conditions. The payment terms are 30~60 days, but the payment terms for general customers are 90~180 days.

2. Manufacturing expenses

|                    | 2023            | 2022            |
|--------------------|-----------------|-----------------|
| KAO FONG MACHINERY | \$85,568        | \$87,130        |
| Others             | 78              | 556             |
| Total              | <u>\$85,646</u> | <u>\$87,686</u> |

3. Lease — related parties

Rent expenditures

|                    | 2023           | 2022         |
|--------------------|----------------|--------------|
| KAO FONG MACHINERY | <u>\$1,800</u> | <u>\$600</u> |

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

Rent income

|                    | 2023         | 2022         |
|--------------------|--------------|--------------|
| KAO FONG MACHINERY | <u>\$600</u> | <u>\$600</u> |

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

4. Property transactions

Acquisition of shares

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

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

Acquisition of property, plant and equipment

|                    | 2023      | 2022       |
|--------------------|-----------|------------|
| KAO FONG MACHINERY | \$5,271   | \$444      |
| Others             | <u>33</u> | <u>333</u> |

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

|   |                   |                   |
|---|-------------------|-------------------|
| Total   | \$5,304           | \$777             |
| 5. Payables to related parties                        |                   |                   |
|   | December 31, 2023 | December 31, 2022 |
| KAO FONG MACHINERY                                    | \$9,817           | \$7,248           |
| Others  | -                 | 175               |
| Total   | \$9,817           | \$7,423           |
| 6. Key management personnel compensation of the Group |                   |                   |
|   | 2023              | 2022              |
| Short-term employee benefits                          | \$44,324          | \$39,206          |
| Post-employments benefits                             | 1,614             | 1,214             |
| Total   | \$45,938          | \$40,420          |

(8) Pledged assets

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

| Item  | Carrying amount   |                   | Purpose of pledge  |
|---|-------------------|-------------------|--|
|   | December 31, 2023 | December 31, 2022 |  |
| Property, plant and equipment                 | \$7,509,174       | \$7,913,166       | Long-term and short-term borrowings                        |
| Investments accounted for using equity method | 85,222            | 83,234            | Short-term borrowings                                      |
| Financial assets at amortized cost            | 46,640            | 47,253            | Guaranteed deposits for projects, issuing letter of credit |
| Other non-current assets                      | 1,515             | 1,515             | Guarantee for credit lines, long-term borrowings           |
| Total   | \$7,642,551       | \$8,045,168       |  |

(9) Significant contingencies and unrecognized contract commitments

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

|   |                   |                   |
|---|-------------------|-------------------|
|   | December 31, 2023 | December 31, 2022 |
| Raw materials and property, plant and equipment | \$535,188         | \$524,871         |

3. The subsidiary of the Group Howon (Whaia) Automobile Components Company Limited, signed development incentive agreement with Jiangsu Province Huai'an Economic Development Zone Administration, and obtained land use right subsidy of NT\$38,369 thousand (CNY7,919 thousand), which was recognized in other non-current liabilities and will be recognized in revenue year by year according to the land use right of 50 years (from 2016 to 2065). The other revenue recognized for the years ended December 31, 2023 and 2022 amounted to NT\$696 thousand and NT\$699 thousand, respectively.

(10) Losses due to major disasters

None.

(11) Significant subsequent events

None.

(12) Others

1. 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 ratios of liabilities to assets of the Group for the years ended December 31, 2023 and 2022, are as follows:

|                                | December 31,<br>2023 | December 31,<br>2022 |
|--------------------------------|----------------------|----------------------|
| Total assets                   | \$22,327,271         | \$22,926,311         |
| Total liabilities              | 13,485,395           | 13,950,651           |
| Ratio of liabilities to assets | 60%                  | 61%                  |

2. Types of financial instruments

| <u>Financial assets</u>   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Financial assets at fair value through profit or loss   |                      |                      |
| Financial assets mandatorily at fair value through profit or loss   | \$14,325             | \$10,562             |
| Financial assets at fair value through other comprehensive income   |                      |                      |
| Investments in equity instruments elected to be measured at fair value through other comprehensive income | 230,930              | 148,775              |

| <u>Financial assets</u>                               | <u>December 31,</u><br><u>2023</u>     | <u>December 31,</u><br><u>2022</u>     |
|---|--|--|
| Accounts receivables                                  | 678,026                                | 830,834                                |
| Financial assets at amortized cost                    |  |  |
| Cash and cash equivalents<br>(excluding cash on hand) | 784,393                                | 1,067,674                              |
| Financial assets at amortized cost                    | 46,640                                 | 204,880                                |
| Notes receivables                                     | 18,973                                 | 968                                    |
| Accounts receivables (including<br>related parties)   | 1,946,708                              | 2,118,687                              |
| Other receivables                                     | 96,711                                 | 197,690                                |
| Guaranteed deposits paid                              | 74,031                                 | 62,116                                 |
| Total   | <u>\$3,890,737</u>                     | <u>\$4,642,186</u>                     |
| <br><u>Financial liabilities</u>                      | <br><u>December 31,</u><br><u>2023</u> | <br><u>December 31,</u><br><u>2022</u> |
| Financial liabilities at amortized cost               |  |  |
| Short-term borrowings                                 | \$2,169,484                            | \$2,060,484                            |
| Short-term notes payables                             | 1,000,000                              | 1,060,000                              |
| Notes payables  | 423,851                                | 524,871                                |
| Accounts payables                                     | 508,130                                | 899,474                                |
| Other payables  | 492,177                                | 749,478                                |
| Long-term borrowings (including<br>current portion)   | 8,234,975                              | 8,037,254                              |
| Lease liabilities                                     | 297,048                                | 281,343                                |
| Total   | <u>\$13,125,665</u>                    | <u>\$13,612,904</u>                    |

### 3. Objective and policies of financial risk management

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

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

### 4. Market risk

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

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

### Foreign currency risk

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

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

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

A strengthening/weakening of 1% of the NTD against the USD, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$16,100 thousands and NT\$21,924 thousands, respectively.

A strengthening/weakening of 1% of the NTD against the EURO, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$2,161 thousands and NT\$2,947 thousands, respectively.

### Interest rate risk

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

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

The sensitivity analyses of interest rate risk are performed on borrowings at floating interest rates at the end of the reporting period, and assume holding them for a fiscal year. An increase/decrease of 0.1% of interest rate, would have decrease/increase the profit for the years ended December 31, 2023 and 2022 by NT\$10,368 thousands and NT\$10,048 thousands, respectively.

### Equity price risk

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

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

#### 5. Credit risk management

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

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

As of December 31, 2023 and 2022, the Group's five largest customers accounted for 79.29% and 71.05% of accounts receivables, respectively. The Group considers the concentration of credit risk for the remaining accounts receivables not material.

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

#### 6. Liquidity risk management

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

#### Non-derivative financial instruments

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

|                           | Within 1<br>year | 1-2 years | 2-5 years | Over 5<br>years | Total       |
|---------------------------|------------------|-----------|-----------|-----------------|-------------|
| December 31,<br>2023      |                  |           |           |                 |             |
| Short-term borrowings     | \$2,176,303      | \$-       | \$-       | \$-             | \$2,176,303 |
| Short-term notes payables | 1,000,000        | -         | -         | -               | 1,000,000   |
| Notes payables            | 423,851          | -         | -         | -               | 423,851     |
| Accounts payables         | 508,130          | -         | -         | -               | 508,130     |
| Other payables            | 492,177          | -         | -         | -               | 492,177     |
| Lease liabilities         | 27,066           | 19,419    | 54,825    | 264,866         | 366,176     |
| Long-term borrowings      | 1,710,041        | 3,057,501 | 3,353,653 | 1,838,784       | 9,959,979   |
| December 31,<br>2022      |                  |           |           |                 |             |
| Short-term borrowings     | \$2,066,081      | \$-       | \$-       | \$-             | \$2,066,081 |
| Short-term notes payables | 1,060,000        | -         | -         | -               | 1,060,000   |
| Notes payables            | 524,871          | -         | -         | -               | 524,871     |
| Accounts payables         | 899,474          | -         | -         | -               | 899,474     |
| Other payables            | 749,478          | -         | -         | -               | 749,478     |
| Lease liabilities         | 21,697           | 17,351    | 41,853    | 272,724         | 353,625     |
| Long-term borrowings      | 1,868,587        | 2,689,176 | 2,759,691 | 1,740,928       | 9,058,382   |

7. Reconciliation of liabilities arising from financing activities

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

|                          | Short-<br>term<br>borrowings | Short-<br>term notes<br>payables | Long-<br>term<br>borrowings | Lease<br>liabilities | Total<br>liabilities from<br>financing<br>activities |
|--------------------------|------------------------------|----------------------------------|-----------------------------|----------------------|--|
| January 1,<br>2023       | \$2,060,484                  | \$1,060,000                      | \$7,987,585                 | \$281,343            | \$11,389,412   |
| Cash flows               | 110,285                      | (60,000)                         | 227,076                     | (23,960)             | 253,401  |
| Non-cash changes         | -                            | -                                | -                           | 39,665               | 39,665   |
| Changes in exchange rate | (1,285)                      | -                                | (15,827)                    | -                    | (17,112)   |
| December 31,<br>2023     | <u>\$2,169,484</u>           | <u>\$1,000,000</u>               | <u>\$8,198,834</u>          | <u>\$297,048</u>     | <u>\$11,665,366</u>                                  |

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

|                          | Short-term borrowings | Short-term notes payables | Long-term borrowings | Lease liabilities | Total liabilities from financing activities |
|--------------------------|-----------------------|---------------------------|----------------------|-------------------|---|
| January 1, 2022          | \$1,320,339           | \$1,260,000               | \$6,333,920          | \$266,637         | \$9,180,896                                 |
| Cash flows               | 732,184               | (200,000)                 | 1,631,082            | (16,288)          | 2,146,978                                   |
| Non-cash changes         | -                     | -                         | -                    | 30,994            | 30,994                                      |
| Changes in exchange rate | 7,961                 | -                         | 22,583               | -                 | 30,544                                      |
| December 31, 2022        | <u>\$2,060,484</u>    | <u>\$1,060,000</u>        | <u>\$7,987,585</u>   | <u>\$281,343</u>  | <u>\$11,389,412</u>                         |

## 8. Fair value of financial instruments

- 1) The valuation techniques and assumptions used to measure fair value  
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used to measure or disclose the fair value of financial assets and liabilities are as follows:
  - A. All the carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities is the reasonable approximation of fair value, because the duration of the instruments aforementioned is short.
  - B. The fair value of financial assets and liabilities with standardized terms and conditions traded in active market is determined by referring the market quoted prices (e.g. stocks of listed companies, beneficiary certificate, bonds, and futures, etc.)
  - C. The fair value of equity instruments without active markets (e.g. private placement stocks of listed companies, stocks of public offering companies without active market, and stocks of non-public offering companies) is assessed by the market approach, which uses prices and other relevant information (inputs such as discount for lack of marketability analysis, the P/E ratio of comparable companies, and P/B ratio of comparable companies, etc.) generated by market transactions involving identical or comparable equity instruments.
  - D. The fair values of bank loans and other non-current liabilities without active market quotations are determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions, such as the interest rate and discount rate, are primarily based on relevant information of similar instruments (e.g. yield curves published by Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
  - E. The fair values of derivative financial instruments, which are not options, are determined based on the counterparty prices or discounted cash flow analysis by the yield curve applicable in the



duration. For derivative financial instruments, which are not options, the fair values are determined based on the counterparty prices, appropriate option pricing models (e.g. Monte Carlo Simulation), or other valuation methods.

2) Fair value of financial instruments at amortized cost

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

3) Relevant information on fair value hierarchy of financial instruments

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

9. Fair value hierarchy

1) Definition of fair value hierarchy

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

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

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

Level 3 : unobservable inputs for the assets or liabilities.

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

2) The information of fair value hierarchy

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

| December 31, 2023   | Level 1  | Level 2 | Level 3 | Total    |
|---|----------|---------|---------|----------|
| Assets measured at fair value:                                    |          |         |         |          |
| Financial assets at fair value through profit or loss             |          |         |         |          |
| Equity securities   | \$14,325 | \$-     | \$-     | \$14,325 |
| Financial assets at fair value through other comprehensive income |          |         |         |          |
| Equity securities   | 90,290   | -       | 140,640 | 230,930  |

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

| December 31, 2023   | Level 1          | Level 2          | Level 3          | Total            |
|---|------------------|------------------|------------------|------------------|
| Accounts receivables  | -                | 678,026          | -                | 678,026          |
| Total   | <u>\$104,615</u> | <u>\$678,026</u> | <u>\$140,640</u> | <u>\$923,281</u> |
| December 31, 2022   | Level 1          | Level 2          | Level 3          | Total            |
| Assets measured at fair value:                                    |                  |                  |                  |                  |
| Financial assets at fair value through profit or loss             |                  |                  |                  |                  |
| Equity securities   | \$10,562         | \$-              | \$-              | \$10,562         |
| Financial assets at fair value through other comprehensive income |                  |                  |                  |                  |
| Equity securities   | 83,735           | -                | 65,040           | 148,775          |
| Accounts receivables  | -                | 830,834          | -                | 830,834          |
| Total   | <u>\$94,297</u>  | <u>\$830,834</u> | <u>\$65,040</u>  | <u>\$990,171</u> |

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

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

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

Transfers between fair value hierarchy of level 1 and level 2

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

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

|   | 2023             | 2022            |
|---|------------------|-----------------|
| Beginning balance                                       | \$65,040         | \$59,513        |
| Acquisition in the current period                       | 89,085           | 4,519           |
| Gains (losses) recognized in other comprehensive income | (13,485)         | 1,008           |
| Ending balance  | <u>\$140,640</u> | <u>\$65,040</u> |

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

| December 31, 2023                                | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
| Assets whose fair value shall only be disclosed: |         |         |         |       |

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

|   |            |            |            |          |
|---|------------|------------|------------|----------|
| Investment properties<br>(Please refer to Note 6.9) | \$-        | \$-        | \$34,985   | \$34,985 |
| December 31, 2022                                   | Level<br>1 | Level<br>2 | Level<br>3 | Total    |
| Assets whose fair value shall<br>only be disclosed: |            |            |            |          |
| Investment properties<br>(Please refer to Note 6.9) | \$-        | \$-        | \$34,985   | \$34,985 |

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

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

|                       | December 31, 2023   |               |             | Expressed in thousands of New Taiwan Dollars<br>December 31, 2022 |               |             |
|-----------------------|---------------------|---------------|-------------|---|---------------|-------------|
|                       | Foreign<br>currency | Exchange rate | NTD         | Foreign<br>currency   | Exchange rate | NTD         |
| Financial assets      |                     |               |             |   |               |             |
| Monetary items        |                     |               |             |   |               |             |
| USD:NTD               | \$77,962            | 30.71         | \$2,394,213 | \$91,152  | 30.71         | \$2,799,278 |
| EURO:NTD              | 7,898               | 33.98         | 268,374     | 9,521   | 32.72         | 311,527     |
| Financial liabilities |                     |               |             |   |               |             |
| Monetary items        |                     |               |             |   |               |             |
| USD:NTD               | \$25,529            | 30.71         | \$783,996   | \$19,761  | 30.71         | \$606,860   |
| EURO:NTD              | 1,536               | 33.98         | 52,193      | 513   | 32.72         | 16,785      |

As there were various functional currencies of each entity of the Group, the Group was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The Group recognized net exchange net gains amounted to NT\$16,679 thousand and NT\$269,464 thousand for the years ended December 31, 2023 and 2022, respectively.

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

(13) Other disclosures

1. Information on significant transactions

1) Loans to others : Table 1

2) Provision of endorsements and guarantees to others : Table 2

3) Holding of marketable securities at the end of the period : Table 3

4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.

- 5) Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
  - 6) Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
  - 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
  - 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
  - 9) Trading in derivative instruments : None.
  - 10) Others : Business relationships among the parent company and subsidiaries, and significant intercompany transactions (amount reaching NT\$100 million or 20% of paid-in capital or more) : None.
2. Information on investees : Table 4
  3. Information on Investees in Mainland China
    - 1) The Company reinvested in investees in Mainland China by Captain Holding Co., Ltd. : Please refer to Table 5.
    - 2) Significant transactions directly or indirectly through the third region with the investees in Mainland China, and the prices, payment terms, and unrealized gains and losses : The amount of purchases by the Company from the investees in Mainland China does not reach 10% of the total purchases for the years ended December 31, 2023. The prices are based on general purchase prices, and payments are made in advance.
  4. Information on major shareholders :

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

(14) Segment information

General information

The Group operates in a single industry, and the Group assesses performance and allocates resources in the perspective of the entire Group. Therefore, the Group is a reportable segment.

Operating segments are not combined to compose the aforementioned reportable operating segment.

The operations results of operating segment are regularly reviewed by the management to make decisions about resources to be allocated to the segment and assess its performance, and are measured by the same way as the operating gains and losses in the consolidated financial statements. However, the income tax in the consolidated financial statements is managed on the basis of the Group, without allocating to operating segments.

The transfer pricing among operating segments is based on the similar regular transaction with external third parties.

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

2023

|                                 | Hota               | Others           | Write-offs         | Total              |
|---------------------------------|--------------------|------------------|--------------------|--------------------|
| Revenue                         |                    |                  |                    |                    |
| Revenue from external customers | \$6,040,490        | \$558,740        | \$-                | \$6,599,230        |
| Intra-segment revenue           | 62,955             | 88,224           | (151,179)          | -                  |
| Total revenue                   | <u>\$6,103,445</u> | <u>\$646,964</u> | <u>\$(151,179)</u> | <u>\$6,599,230</u> |
| Segment profit or loss          | <u>\$360,969</u>   | <u>\$8,545</u>   | <u>\$(6,914)</u>   | <u>\$362,600</u>   |

2022

|                                 | Hota               | Others           | Write-offs         | Total              |
|---------------------------------|--------------------|------------------|--------------------|--------------------|
| Revenue                         |                    |                  |                    |                    |
| Revenue from external customers | \$6,729,716        | \$609,449        | \$-                | \$7,339,165        |
| Intra-segment revenue           | 168,517            | -                | (168,517)          | -                  |
| Total revenue                   | <u>\$6,898,233</u> | <u>\$609,449</u> | <u>\$(168,517)</u> | <u>\$7,339,165</u> |
| Segment profit or loss          | <u>\$763,082</u>   | <u>\$20,210</u>  | <u>\$(14,794)</u>  | <u>\$768,498</u>   |

►

The reportable segment of the Group classified business structure by operating companies.

Revenues of the Group primarily arises from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool.

1. Information on reconciliation of segment profit or loss, assets and liabilities

►

► Intra-segment sales are based on the rule of fair trade. The external revenue reported to the chief operating decision maker is measured by the same way as the revenue in the income statements.

►

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

►

|                                    | 2023        | 2022        |
|------------------------------------|-------------|-------------|
| Operating segment revenue          | \$6,750,409 | \$7,507,682 |
| Elimination of intra-segment gains | (151,179)   | (168,517)   |

|                                      |                    |                    |
|--------------------------------------|--------------------|--------------------|
| Total consolidated operating revenue | <u>\$6,599,230</u> | <u>\$7,339,165</u> |
|--------------------------------------|--------------------|--------------------|

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

|  | 2023             | 2022             |
|--|------------------|------------------|
| Segment net income before tax            | \$369,514        | \$783,292        |
| Elimination of intra-segment losses      | (6,914)          | (14,794)         |
| Total consolidated net income before tax | <u>\$362,600</u> | <u>\$768,498</u> |

The amount of total assets provided for the chief operating decision maker is measured by the same way as the assets in the financial statements of the Company.

The amount of total liabilities provided for the chief operating decision maker is measured by the same way as the liabilities in the financial statements of the Company.

## 2. Geographic financial information

- ▶
- ▶ Revenue from external customers:

|             | 2023               | 2022               |
|-------------|--------------------|--------------------|
| USA         | \$3,611,939        | \$4,108,941        |
| China       | 543,810            | 757,709            |
| Taiwan      | 227,665            | 296,370            |
| Europe      | 1,753,084          | 1,615,239          |
| Other areas | 462,732            | 560,906            |
| Total       | <u>\$6,599,230</u> | <u>\$7,339,165</u> |

- ▶
- ▶ Revenue is classified based on the countries that the customers are located.

- ▶
- ▶ Non-current assets:

|        | 2023                | 2022                |
|--------|---------------------|---------------------|
| USA    | \$295,815           | \$300,069           |
| China  | 905,065             | 872,951             |
| Taiwan | 13,450,935          | 13,078,161          |
| Total  | <u>\$14,651,815</u> | <u>\$14,251,181</u> |

- ▶
- ▶ Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, but exclude investments accounted for using equity method, financial instruments, investment properties, and deferred tax assets.

## 3. Information on major customers

- ▶
- ▶ The individual customers with sales revenue accounting for over 10% of the revenue in the income statement are listed below :

| Name of customer | 2023 | 2022 |
|------------------|------|------|
|------------------|------|------|

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

|            | <u>Sales amount</u> | <u>%</u> | <u>Sales amount</u> | <u>%</u> |
|------------|---------------------|----------|---------------------|----------|
| Customer A | \$1,847,669         | 28.00    | \$1,580,092         | 21.53    |
| Customer B | 2,498,727           | 37.86    | 2,643,914           | 36.02    |
|            | <u>\$4,346,396</u>  |          | <u>\$4,224,006</u>  |          |

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

Table 1 : Loans to others

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

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

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

(1) The issuer is 0.

(2) The investees are sequentially numbered from 1.

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

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

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

Note 5 : Ending balance is the same as the fund financing amount approved by the board of directors.



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

Table 2 : Provision of endorsements and guarantees to others

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

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

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

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

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

- (1). Entities have business relations with the Company
- (2). The Company directly or indirectly holds more than 50% of voting shares of the entity.
- (3). Entity directly or indirectly owns more than 50% of voting shares of the Company.
- (4). The parent directly or indirectly through subsidiaries holds more than 50% of voting shares of the entity.
- (5). The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6). All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7). Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

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

Note 3 : The endorsement provided for an individual enterprise shall not exceed 20% of the net worth, and the total endorsement provided shall not exceed 40% of the net worth.

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

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

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

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

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

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

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

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

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

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

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

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

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

| Holding company                       | Type of the security | Name of the security                             | Relationship with the issuer                            | Account   | End of the period |                 |                         |            | Note |
|---------------------------------------|----------------------|--|---|---|-------------------|-----------------|-------------------------|------------|------|
|                                       |                      |  |   |   | Number of shares  | Carrying amount | Percentage of ownership | Fair value |      |
| Hota Industrial Manufacturing Company | Stock                | BMB Venture Capital Investment Corporation       | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | 3,128,588         | \$18,600        | 9.08                    | \$18,600   |      |
| Hota Industrial Manufacturing Company | Stock                | KWONG LUNG ENTERPRISE CO.,LTD.                   | -   | Financial assets at fair value through other comprehensive income - non-current | 689,189           | 10,291          | 4.05                    | 10,291     |      |
| Hota Industrial Manufacturing Company | Stock                | MAIN DRIVE CORPORATION                           | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | 8,218,000         | 63,841          | 11.29                   | 64,841     |      |
| Hota Industrial Manufacturing Company | Stock                | Research Innovation Capital Corporation          | -   | Financial assets at fair value through other comprehensive income - non-current | 6,000,000         | 30,000          | 17.86                   | 30,000     |      |
| Hota Industrial Manufacturing Company | Ball card            | Taichung International Entertainment Corporation | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | -                 | 12,150          | 0.09                    | 12,150     |      |
| Howin Precision Company Limited       | Stock                | Hoga Industry Co., Ltd.                          | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - current     | 577               | 5,758           | 7.84                    | 5,758      |      |

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

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

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

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

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

Table 4 : Information on investees

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

| Name of the investor company          | Name of the investee company                 | Location   | Main business   | Original investment amount |                     | Holding at end of the period |                         |                 | Profit or loss of investees in the current period | Gains or losses on investments recognized in the current period | Note  |
|---------------------------------------|--|------------|---|----------------------------|---------------------|------------------------------|-------------------------|-----------------|---|---|---|
|                                       |  |            |   | End of the period          | End of prior period | Number of shares             | Percentage of ownership | Carrying amount |   |   |   |
| Hota Industrial Manufacturing Company | Hozuan Investment Company Limited            | Taiwan     | Investment activities   | \$167,190                  | \$167,190           | 25,221,000                   | 100.00                  | \$275,734       | \$17,309  | \$17,309  | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | CAPTAIN HOLDING CO.,LTD.                     | Seychelles | Holding company   | 326,073                    | 326,073             | 10,602,990                   | 100.00                  | 183,144         | (15,184)  | (15,184)  | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | HOTATECH, INC.                               | USA        | Sales of various precision gears and shafts of automobiles  | 173,638                    | 173,638             | 530,200                      | 100.00                  | 260,646         | 8,714   | 8,714   | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | HOTA USA INC.                                | USA        | Holding company   | 3,225                      | -                   | 1,000,000                    | 100.00                  | 1,026           | (2,074)   | (2,074)   | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | Howin Precision Company Limited              | Taiwan     | Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts | 41,450                     | 41,450              | 7,305,147                    | 61.05                   | 81,169          | (5,892)   | (3,598)   | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | Juda Intelligent Technology                  | Taiwan     | Manufacturing and sales of various of precision gears for automobiles and motorbikes  | 159,741                    | 5,000               | 15,974,146                   | 100.00                  | 161,712         | 1,975   | 1,975   | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | Hefu Construction Co., Ltd                   | Taiwan     | Construction and investment development of residences, apartments and mixed residential office buildings  | 68,000                     | 68,000              | 6,800,000                    | 50.00                   | 66,617          | (508)   | (254)   | Subsidiary of the Company (Note 4)                  |
| Hota Industrial Manufacturing Company | Helun Precision Co., Ltd.                    | Taiwan     | Manufacturing and sell various of precision gears for automobiles and motorbikes  | 5,000                      | 5,000               | 500,000                      | 100.00                  | 5,019           | 26  | 26  | Subsidiary of the Company (Note 4)                  |
| HOTA USA INC.                         | Hota Industries, LLC                         | USA        | Manufacturing and sell various of precision gears for automobiles   | 35                         | -                   | -                            | 100                     | 35              | (1)   | (1)   | Subsidiary of the Company (Note 2, 4)               |
| Hota Industrial Manufacturing Company | KAO FONG MACHINERY CO., LTD.                 | Taiwan     | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.                             | 11,400                     | 11,400              | 838,878                      | 0.78                    | 14,420          | 104,367   | 811   | Investee accounted for using equity method (Note 3) |
| Hota Industrial Manufacturing Company | TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | Taiwan     | Removal, storage and treatment of general and hazardous industrial waste  | 12,500                     | 12,500              | 375,000                      | 25.00                   | -               | -   | -   | Investee accounted for using equity method (Note 1) |
| Hota Industrial Manufacturing Company | TAKAWA SEIKI, INC.                           | USA        | Machinery traders and agents  | 3,607                      | 3,607               | 120,000                      | 40.00                   | 3,036           | 2,268   | 907   | Investee accounted for using equity method          |

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

Table 4 (cont.) : Information on investees

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

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

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

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

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

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

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

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

Table 5 : Information on investees in Mainland China

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

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

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

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

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

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

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

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

Note 4 : According to the limit stipulated in the letter No.006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

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

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

**(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 Auditors' Report

To: Hota Industrial Manufacturing Company

**Opinion**

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

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Cut-off of revenue from exporting sales

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

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

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



## Evaluation of allowances for inventory valuation and obsolescence losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young

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

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

No. Financial-Supervisory-Securities-Auditing -1080326041

Huang, Zi-Ping

CPA :

Huang, Yu-Ting

March 14, 2024

Hota Industrial Manufacturing Company Limited

Parent company only balance sheets

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

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

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited

Parent company only balance sheets (cont.)

December 31, 2023 and 2022

Expressed in thousands of New Taiwan Dollars

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

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

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

Expressed in thousands of New Taiwan Dollars

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

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

Hota Industrial Manufacturing Company Limited

Parent company only statements of changes in equity

For the years ended December 31, 2023 and 2022

|      |  | Capital stock | Capital surplus | Retained earnings |                 |                         | Other equity  |   | Total equity |
|------|--|---------------|-----------------|-------------------|-----------------|-------------------------|---|---|--------------|
|      |  |               |                 | Legal reserve     | Special reserve | Unappropriated earnings | Exchange differences arising on translation of foreign operations | Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income |              |
| Code |  | 3100          | 3200            | 3310              | 3320            | 3350                    | 3410  | 3420  | 31XX         |
| A1   | Balance at January 1, 2022   | \$2,795,175   | \$3,833,804     | \$689,651         | \$48,236        | \$1,316,593             | \$(45,136)  | \$(15,218)  | \$8,623,105  |
| D1   | Net income, 2022   |               |                 |                   |                 | 623,958                 |   |   | 623,958      |
| D3   | Other comprehensive income, 2022   |               |                 |                   |                 | 13,420                  | 37,978  | (67,254)  | (15,856)     |
| D5   | Total comprehensive income   | -             | -               | -                 | -               | 637,378                 | 37,978  | (67,254)  | 608,102      |
|      | Appropriation and distribution of earnings in 2021                               |               |                 |                   |                 |                         |   |   |              |
| B1   | Legal reserve  |               |                 | 35,326            |                 | (35,326)                |   |   | -            |
| B3   | Special reserve  |               |                 |                   | 12,118          | (12,118)                |   |   | -            |
| B5   | Cash dividends of common stock   |               |                 |                   | 四及六.22          | (381,541)               |   |   | (381,541)    |
| Q1   | Disposals of equity instruments at fair value through other comprehensive income |               |                 |                   |                 | 5,528                   |   | (5,528)   | -            |
| Z1   | Balance at December 31, 2022   | \$2,795,175   | \$3,833,804     | \$724,977         | \$60,354        | \$1,530,514             | \$(7,158)   | \$(88,000)  | \$8,849,666  |
| A1   | Balance at January 1, 2023   | \$2,795,175   | \$3,833,804     | \$724,977         | \$60,354        | \$1,530,514             | \$(7,158)   | \$(88,000)  | \$8,849,666  |
| D1   | Net income (loss), 2023  |               |                 |                   |                 | 327,211                 |   |   | 327,211      |
| D3   | Other comprehensive income, 2023   |               |                 |                   |                 | 4,158                   | (7,432)   | (2,902)   | (6,176)      |
| D5   | Total comprehensive income   | -             | -               | -                 | -               | 331,369                 | (7,432)   | (2,902)   | 321,035      |
|      | Appropriation and distribution of earnings in 2022                               |               |                 |                   |                 |                         |   |   |              |
| B1   | Legal reserve  |               |                 | 64,290            |                 | (64,290)                |   |   | -            |
| B3   | Special reserve  |               |                 |                   | 34,804          | (34,804)                |   |   | -            |
| B5   | Cash dividends of common stock   |               |                 |                   |                 | (447,228)               |   |   | (447,228)    |
| Q1   | Disposals of equity instruments at fair value through other comprehensive income |               |                 |                   |                 | 7,115                   |   | (7,115)   | -            |
| Z1   | Balance at December 31, 2023   | \$2,795,175   | \$3,833,804     | \$789,267         | \$95,158        | \$1,322,676             | \$(14,590)  | \$(98,017)  | \$8,723,473  |

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

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

Expressed in thousands of New Taiwan Dollars

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

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji

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

Expressed in thousands of New Taiwan Dollars

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

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

Chairman : Shen, Guo-Rong

Manager : Chen, Jun-Zhi

Chief accountant : Li, Yuan-Ji



## Hota Industrial Manufacturing Company

### Notes to the parent company only financial statements

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

(1) Company history

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

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

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

(3) New standards, amendments and interpretations adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

#### 2) Amendments to IFRS 17 "Insurance Contract"

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

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

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

#### 3) Amendments to IAS 21 "Lack of Exchangeability"

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

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

#### (4) Summary of significant accounting policies

##### 1. Statement of compliance

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

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

2. Basis of preparation

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

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

3. Foreign currencies transactions

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

#### 4. Translation of financial statements denominated in foreign currencies

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

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

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

#### 6. Cash and cash equivalents

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

#### 7. Financial instruments

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

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

##### 1) Recognition and measurement of financial assets

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

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

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

B. The asset’s contractual cash flow characteristics

##### Financial assets at amortized cost

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

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

#### Financial asset at fair value through OCI

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

#### Financial assets at fair value through profit or loss

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

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

#### 2) Impairment of financial assets

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

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

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

Loss allowance is measured as follows :

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



## Hota Industrial Manufacturing Company

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

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

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

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

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

### 3) Derecognition of Financial Assets

The Company shall derecognize the financial assets when :

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

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

### 4) Financial liabilities and equity instruments

#### Classification of liabilities or equity

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

#### Equity instruments

## Hota Industrial Manufacturing Company

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

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

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

#### Financial liabilities

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

#### Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

#### Financial liabilities at amortized cost

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

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

#### Derecognition of financial liabilities

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

The Company shall remove a financial liability from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

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

5) Offset of financial assets and financial liabilities

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventories

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

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

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

Materials — cost of purchase, by FIFO.

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

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

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

10. Investments accounted for using equity method

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

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

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

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

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The

## Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

#### 11. Property, plant and equipment

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

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

Straight-line method is used to allocate the depreciable amount of an asset over its useful life as follows:

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

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

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

## 12. Investment properties

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

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

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

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

## 13. Lease

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

## Hota Industrial Manufacturing Company

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

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

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

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

#### The Company as the lessee

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

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

#### The Company as the lessor

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

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

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

#### 14. Intangible assets



## Hota Industrial Manufacturing Company

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

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

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

The useful lives of intangible assets are finite

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

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

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

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

#### 15. Impairment of non-financial assets

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

#### 16. Provisions

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

##### Provisions for decommissioning, restoration and rehabilitation costs

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

#### 17. Revenue recognition

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

##### Sales of goods

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

## Hota Industrial Manufacturing Company

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

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

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

#### 18. Borrowing costs

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

#### 19. Government grants

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

#### 20. Post-employment plans

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

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

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

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

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

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

## 21. Income tax

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

### Current income tax

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

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

### Deferred income tax

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

##### Estimates and assumptions

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

##### 1) Fair value of financial instruments

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

##### 2) Receivables — estimates on impairment losses

Hota Industrial Manufacturing Company

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

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

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

3) Inventory valuation

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

(6) Explanation of significant accounts

1. Cash and cash equivalents

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

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

2. Financial assets at fair value through other comprehensive income

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

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

Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

3. Financial assets at amortized cost

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

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

Without considering collaterals held or other credit enhancements, the amounts most representing the maximum credit risk exposure of financial assets at amortized cost as of December 31, 2023 and 2022 are \$7,991 thousand and \$155,930 thousand, respectively.

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

4. Accounts receivables

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

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

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

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

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

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



Hota Industrial Manufacturing Company

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

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

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

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

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

5. Inventories

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

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

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

6. Investments accounted for using equity method

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

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

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

Hota Industrial Manufacturing Company

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

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

(A) 2023:

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

Hota Industrial Manufacturing Company

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

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

(B)2022:

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

2) Investments in subsidiaries

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

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

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

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

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

3) Investments in associates

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

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

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

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

7. Property, plant and equipment

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

1) Property, plant and equipment for self-use

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

Depreciation and impairment:

Hota Industrial Manufacturing Company

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

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

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

2) Property, plant and equipment for operating lease

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

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

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

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

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

|                                       | 2023     | 2022     |
|---------------------------------------|----------|----------|
| Capitalized amount                    | \$28,656 | \$17,720 |
| Capitalized interest rate<br>interval | 1.96%    | 1.40%    |

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

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

8. Investment properties

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

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

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

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

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

9. Short-term borrowings

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

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

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

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

10. Short-term notes payables

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

11. Other payables

|                  | December 31,<br>2023 | December 31,<br>2022 |
|------------------|----------------------|----------------------|
| Payroll payables | \$82,362             | \$113,233            |



Hota Industrial Manufacturing Company

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

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

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

12. Long-term borrowings

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

#### 13. Government grants

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

#### 14. Pension

##### Defined contribution plan

## Hota Industrial Manufacturing Company

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

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

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

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

#### Defined benefit plan

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

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

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

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

Hota Industrial Manufacturing Company

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

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

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

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

Reconciliation of net defined benefit liabilities (assets):

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

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

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

|   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Discount rate                           | 1.20%                | 1.20%                |
| Rate of expected future salary increase | 3.00%                | 3.00%                |

The sensitivity analysis of each significant actuarial assumption:

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

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

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

## 15. Equity

### 1) Common stocks

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

### 2) Capital surplus

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

Hota Industrial Manufacturing Company

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

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

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

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

3) Profits distribution and dividend policies

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

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

The Company dividend policies are as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ratio for cash dividend shall not be lower than 20% of total distribution.

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

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

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

Hota Industrial Manufacturing Company

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

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

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

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

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

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

16. Operating revenue

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

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

1) Classification of revenue

2023

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

2022

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

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

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

17. Expected credit loss

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

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

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

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

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

December 31, 2023

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

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

December 31, 2022

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



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

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

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

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

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

#### 18. Lease

##### 1) The Company as the lessee

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

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

##### A. Amounts recognized in the balance sheets

##### a. Right-of-use assets

##### Carrying amount of right-of-use assets

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

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

##### b. Lease liabilities

Hota Industrial Manufacturing Company

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

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

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

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

B. Amounts recognized in statements of comprehensive income

Depreciation of right-of-use assets

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

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

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

D. Cash outflows related to lease activities as a lessee

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

2) The Company as the lessor

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

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

Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

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

## Hota Industrial Manufacturing Company

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

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

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

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

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

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

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

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

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

## 20. Non-operating income and expenses

### 1) Interest income

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

Hota Industrial Manufacturing Company

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

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

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

2) Other income

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

3) Other gains and losses

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

4) Finance costs

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

21. Other comprehensive income

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

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

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Items that may be reclassified subsequently to profit or loss:

|  |                          |                   |                          |                          |                          |
|--|--------------------------|-------------------|--------------------------|--------------------------|--------------------------|
| Exchange differences arising on translation of foreign operations  | (3,131)                  | -                 | (3,131)                  | (3,306)                  | (6,437)                  |
| Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income | (4,126)                  | -                 | (4,126)                  | -                        | (4,126)                  |
| Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method    | (995)                    | -                 | (995)                    | -                        | (995)                    |
| <b>Total</b>   | <u><u>\$ (1,633)</u></u> | <u><u>\$-</u></u> | <u><u>\$ (1,633)</u></u> | <u><u>\$ (4,543)</u></u> | <u><u>\$ (6,176)</u></u> |

The components of other comprehensive income for the years ended December 31, 2022 are as follows:

|   | Arising in current period | Reclassification in current period | Other comprehensive income | Income tax benefits (expenses) | Amount net of tax         |
|---|---------------------------|------------------------------------|----------------------------|--------------------------------|---------------------------|
| Items not to be reclassified into profit or loss:   |                           |                                    |                            |                                |                           |
| Remeasurements of defined benefit plans   | \$14,992                  | \$-                                | \$14,992                   | \$(2,998)                      | \$11,994                  |
| Unrealized valuation gains or losses on investments in equity instruments at fair value through other comprehensive income  | (529)                     | -                                  | (529)                      | -                              | (529)                     |
| Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method — items that will not be reclassified subsequently to profit or loss | (33,485)                  | -                                  | (33,485)                   | -                              | (33,485)                  |
| Items that may be reclassified subsequently to profit or loss:  |                           |                                    |                            |                                |                           |
| Exchange differences arising on translation of foreign operations   | 33,413                    | -                                  | 33,413                     | 2,013                          | 35,426                    |
| Unrealized valuation gains or losses on investments in debt instruments at fair value through other comprehensive income  | (31,814)                  | -                                  | (31,814)                   | -                              | (31,814)                  |
| Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method   | 2,552                     | -                                  | 2,552                      | -                              | 2,552                     |
| <b>Total</b>  | <u><u>\$ (14,871)</u></u> | <u><u>\$-</u></u>                  | <u><u>\$ (14,871)</u></u>  | <u><u>\$ (985)</u></u>         | <u><u>\$ (15,856)</u></u> |

## 22. Income tax

The major components of income tax expenses for the years ended December 31, 2023 and 2022 are as follows:

### Income tax recognized in profit or loss

|  | 2023     | 2022      |
|--|----------|-----------|
| Current income tax expenses (benefit): |          |           |
| Current income tax payables            | \$96,916 | \$137,245 |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|   |                 |                  |
|---|-----------------|------------------|
| Underestimation (overestimation) to income tax in prior years                             | (38,827)        | (10,436)         |
| Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings              | 3,882           | -                |
| Deferred income tax expenses:   |                 |                  |
| Deferred income tax expenses related to origination and reversal of temporary differences | (28,213)        | 12,315           |
| Income tax expenses   | <u>\$33,758</u> | <u>\$139,124</u> |

Income tax recognized in other comprehensive income

|   | 2023             | 2022           |
|---|------------------|----------------|
| Current income tax expenses (benefit):                            |                  |                |
| Exchange differences arising on translation of foreign operations | \$(3,306)        | \$2,013        |
| Remeasurement of defined benefit plans                            | (1,237)          | (2,998)        |
| Income tax related to components of other comprehensive income    | <u>\$(4,543)</u> | <u>\$(985)</u> |

A reconciliation between tax expenses and the product of accounting profit multiplied by applicable tax rates is as follows:

|  | 2023             | 2022             |
|--|------------------|------------------|
| Profit before tax from continuing operations                                 | <u>\$360,969</u> | <u>\$763,082</u> |
| Tax payables at the enacted tax rate of 20%                                  | \$72,194         | \$147,220        |
| Tax effect of tax-exempt income  | (4,496)          | -                |
| Tax effect of non-deductible expenses  | 875              | 2,340            |
| Additional Profit-seeking Enterprise Income Taxes on unappropriated earnings | 3,882            | -                |
| Adjustments in current period relating to current income tax in prior years  | (38,827)         | (10,436)         |
| Tax effect of other adjustments in accordance with tax laws                  | <u>130</u>       | <u>-</u>         |
| Total income tax expenses recognized in profit or loss                       | <u>\$33,758</u>  | <u>\$139,124</u> |

The balances of deferred tax assets (liabilities) are related to the items as follows:

2023

|                       | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|-----------------------|-------------------|------------------------------|--|----------------|
| Temporary differences |                   |                              |  |                |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|   |                  |                 |                  |                 |
|---|------------------|-----------------|------------------|-----------------|
| Inventory valuation and obsolescence losses                         | \$20,140         | \$1,300         | \$-              | \$21,440        |
| Unrealized exchange losses (gains)                                  | (7,341)          | 20,330          | -                | 12,989          |
| Unrealized transactions among the entities in within the group      | 2,800            | (268)           | -                | 2,532           |
| Allowance for doubtful debts  | 4,297            | (485)           | -                | 3,812           |
| Unrealized employees' bonus   | 1,723            | (1,536)         | -                | 187             |
| Net defined benefit liabilities — non-current                       | 3,730            | -               | (1,237)          | 2,493           |
| Book-tax difference in depreciation                                 | (37,254)         | 7,163           | -                | (30,091)        |
| Exchange differences arising on translation of foreign operations   | (642)            | -               | (3,306)          | (3,948)         |
| Gains and losses from investments accounted for using equity method | 12,737           | 1,709           | -                | 14,446          |
| Land Value Increment Tax  | (1,417)          | -               | -                | (1,417)         |
| Deferred income tax benefit (expenses)                              |                  | <u>\$28,213</u> | <u>\$(4,543)</u> |                 |
| Net deferred tax assets/(liabilities)                               | <u>\$(1,227)</u> |                 |                  | <u>\$22,443</u> |
| Information presented in balance sheets is as follows:              |                  |                 |                  |                 |
| Deferred tax assets   | <u>\$45,427</u>  |                 |                  | <u>\$44,723</u> |
| Deferred tax liabilities  | <u>\$46,654</u>  |                 |                  | <u>\$22,280</u> |

2022

|  | Beginning balance | Recognized in profit or loss | Recognized in other comprehensive income | Ending balance |
|--|-------------------|------------------------------|--|----------------|
| Temporary differences  |                   |                              |  |                |
| Inventory valuation and obsolescence losses                    | \$17,140          | \$3,000                      | \$-                                      | \$20,140       |
| Unrealized exchange losses (gains)                             | 11,478            | (18,819)                     | -  | (7,341)        |
| Unrealized transactions among the entities in within the group | 2,792             | 8                            | -  | 2,800          |
| Allowance for doubtful debts                                   | 3,097             | 1,200                        | -  | 4,297          |
| Unrealized employees' bonus                                    | 1,723             | -                            | -  | 1,723          |
| Accrued pension expenses not provided                          | 29                | (29)                         | -  | -              |
| Net defined benefit liabilities — non-current                  | 6,728             | -                            | (2,998)                                  | 3,730          |
| Book-tax difference in right-of-use assets                     | 3,010             | (3,010)                      | -  | -              |



Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|   |                 |                   |                |                  |
|---|-----------------|-------------------|----------------|------------------|
| Book-tax difference in depreciation                                 | (42,593)        | 5,339             | -              | (37,254)         |
| Exchange differences arising on translation of foreign operations   | (2,656)         | -                 | 2,014          | (642)            |
| Gains and losses from investments accounted for using equity method | 12,741          | (4)               | -              | 12,737           |
| Land Value Increment Tax  | (1,417)         | -                 | -              | (1,417)          |
| Deferred income tax benefit (expenses)                              |                 | <u>\$(12,315)</u> | <u>\$(984)</u> |                  |
| Net deferred tax assets/(liabilities)                               | <u>\$9,062</u>  |                   |                | <u>\$(1,227)</u> |
| Information presented in balance sheets is as follows:              |                 |                   |                |                  |
| Deferred tax assets   | <u>\$58,738</u> |                   |                | <u>\$45,427</u>  |
| Deferred tax liabilities  | <u>\$46,666</u> |                   |                | <u>\$46,654</u>  |
| <u>Declaration and verification of income tax</u>                   |                 |                   |                |                  |

As of December 31, 2023, the declaration and verification of the Company's income tax are as follows:

|             |   |
|-------------|---|
|             | Declaration and verification of<br>income tax |
| The Company | Verified until 2021                           |

23. Earnings per share

Basic earnings per share are calculated by dividing net income for the year attributable to common stocks shareholders of the Company by the weighted average number of common stocks outstanding during the year.

Diluted earnings per share are calculated by dividing the net income attributable to common stocks shareholders of the Company (after adjusting interests of convertible bonds) by the weighted average number of common stocks outstanding during the year plus the weighted average number of common stocks that would be issued on conversion of all the dilutive potential common stocks into common stocks.

|  | 2023             | 2022             |
|--|------------------|------------------|
| 1) Basic earnings per share  |                  |                  |
| Net income for the year attributable to common stocks shareholders (NT\$ thousand)                     | <u>\$327,211</u> | <u>\$623,958</u> |
| Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares) | <u>279,518</u>   | <u>279,518</u>   |
| Basic earnings per share (NT\$)  | <u>\$1.17</u>    | <u>\$2.23</u>    |
| 2) Diluted earnings per share  |                  |                  |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|   | 2023             | 2022             |
|---|------------------|------------------|
| Net income for the year attributable to common stocks shareholders after adjusting dilutive effects (NT\$ thousand)                     | <u>\$327,211</u> | <u>\$623,958</u> |
| Weighted average number of common stocks outstanding of basic earnings per share (thousands of shares)                                  | 279,518          | 279,518          |
| Dilutive effect   |                  |                  |
| Employees' remuneration — stock (thousands of shares) (Note)  | <u>136</u>       | <u>247</u>       |
| Weighted average number of common stocks outstanding of basic earnings per share after adjusting dilutive effects (thousands of shares) | <u>279,654</u>   | <u>279,765</u>   |
| Diluted earnings per share (NT\$)   | <u>\$1.17</u>    | <u>\$2.23</u>    |

Note: When calculating the diluted earnings per share, assume the employees' remunerations to be paid in stock, and add the diluted potential ordinary shares into the calculation of diluted weighted average number of ordinary shares outstanding to calculate the diluted earnings per share.

After the reporting period and before the financial statements being authorized for issue, there is no other transaction resulting in the changes in the number of outstanding common stocks or potential common stock in the end of the period.

(7) Related party transactions

The related parties have transactions with the Company during the reporting period are as follows:

Names and relationship of related parties

| Name of the related party                                    | Relationship with the Company  |
|--|--------------------------------|
| Howin Precision Company Limited (Howin Precision)            | Subsidiary directly held       |
| HOTATECH, INC. (HOTATECH)                                    | Subsidiary directly held       |
| Juda Intelligent Technology (Juda Intelligent)               | Subsidiary directly held       |
| Howon (Whaian) Automobile Components Company Limited (Howon) | Sub-subsidiary indirectly held |
| KAO FONG MACHINERY CO., LTD. (KAO FONG MACHINERY)            | Associate                      |
| GLOBAL TECHNOS LTD. (GLOBAL)                                 | Other related party            |
| MAIN DRIVE CORPORATION                                       | Other related party            |

1. Operating revenue

|            | 2023     | 2022     |
|------------|----------|----------|
| Subsidiary |          |          |
| HOTATECH   | \$55,601 | \$50,755 |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| Howon                 | 7,354           | 14,365          |
| Howin Precision       | -               | 10,555          |
| Subtotal              | 62,955          | 75,675          |
| Associate             | 1,476           | 1,629           |
| Other related parties | 441             | 5,258           |
| Total                 | <u>\$64,872</u> | <u>\$82,562</u> |

The Company sells to the aforementioned related parties based on general sales prices and conditions. The payment terms are 30~180 days, but the payment terms for general customers are 90~180 days.

2. Manufacturing expenses

|                       | 2023             | 2022             |
|-----------------------|------------------|------------------|
| Subsidiary            |                  |                  |
| Howin Precision       | \$71,834         | \$86,074         |
| Juda Intelligent      | 651              | -                |
| Howon                 | 158              | 3,818            |
| Subtotal              | 72,643           | 89,892           |
| Associate             | 85,568           | 87,130           |
| Other related parties | 78               | 556              |
| Total                 | <u>\$158,289</u> | <u>\$177,578</u> |

3. Lease — related parties

Rent expenditures

|           | 2023    | 2022  |
|-----------|---------|-------|
| Associate |         |       |
| KAO FONG  | \$1,800 | \$600 |
| MACHINERY |         |       |

The rents of the underlying assets of the aforementioned lease are determined by the rent in the neighborhood at the commence date and the size of the area rent. Rents are paid monthly.

Rent income

|                  | 2023           | 2022           |
|------------------|----------------|----------------|
| Subsidiary       |                |                |
| Hefu             | \$2,773        | \$756          |
| Juda Intelligent | 1,664          | -              |
| Subtotal         | 4,437          | 756            |
| Associate        |                |                |
| KAO FONG         | 600            | 600            |
| MACHINERY        |                |                |
| Total            | <u>\$5,037</u> | <u>\$1,356</u> |

The rents of the underlying assets of the aforementioned lease are determined by the rent in the neighborhood at the commence date and the size of the area rent. Rents are collected in every 30 days.

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

4. Property transactions

Acquisition of shares

|           |      | 2023           | 2022        |
|-----------|------|----------------|-------------|
|           |      | <u>2023</u>    | <u>2022</u> |
| KAO       | FONG | \$1,000        | \$-         |
| MACHINERY |      | <u>\$1,000</u> | <u>\$-</u>  |

The Company acquired 16.67% of Juda's shares by cash of NT\$1,000 thousand from KAO FONG MACHINERY CO., LTD. in March, 2023.

Acquisition of property, plant and equipment

|                       |      | 2023            | 2022         |
|-----------------------|------|-----------------|--------------|
|                       |      | <u>2023</u>     | <u>2022</u>  |
| Subsidiary            |      |                 |              |
| Juda Intelligent      |      | \$14,214        | \$-          |
| Associate             |      |                 |              |
| KAO                   | FONG | 5,271           | 444          |
| MACHINERY             |      |                 |              |
| Other related parties |      | 33              | 333          |
| Total                 |      | <u>\$19,518</u> | <u>\$777</u> |

Please refer to Note 6.7 for the relevant information on the property, plant and equipment divided and transferred to the subsidiary, Juda Intelligent.

5. Receivables from related parties

|                      | December 31, 2023        | December 31, 2022        |
|----------------------|--------------------------|--------------------------|
|                      | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Accounts receivables |                          |                          |
| Subsidiary           |                          |                          |
| HOTATECH             | \$22,772                 | \$23,648                 |
| Howon                | 13,733                   | 19,320                   |
| Howin Precision      | -                        | 12,565                   |
| Subtotal             | <u>36,505</u>            | <u>55,533</u>            |
| Associate            | -                        | 5                        |
| Total                | <u>\$36,505</u>          | <u>\$55,538</u>          |
| Other receivables    |                          |                          |
| Subsidiary           |                          |                          |
| Juda Intelligent     | \$436                    | \$-                      |
| Howin Precision      | 265                      | 265                      |
| Subtotal             | <u>701</u>               | <u>265</u>               |
| Associate            | 53                       | -                        |
| Total                | <u>\$754</u>             | <u>\$265</u>             |

6. Payables to related parties

|                   | December 31, 2023        | December 31, 2022        |
|-------------------|--------------------------|--------------------------|
|                   | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
| Accounts payables |                          |                          |
| Subsidiary        |                          |                          |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| Howin Precision       | <u>\$28,066</u> | <u>\$42,479</u> |
| Other payables        |                 |                 |
| Subsidiary            |                 |                 |
| Juda Intelligent      | \$14,179        | \$-             |
| Juda Intelligent      | 147             | 147             |
| Howon                 | 55              | 3,475           |
| Subtotal              | <u>14,381</u>   | <u>3,622</u>    |
| Associate             | 9,817           | 7,248           |
| Other related parties | -               | 175             |
| Total                 | <u>\$24,198</u> | <u>\$11,045</u> |

7. Key management personnel compensation of the Company

|                              | <u>2023</u>     | <u>2022</u>     |
|------------------------------|-----------------|-----------------|
| Short-term employee benefits | \$38,241        | \$33,407        |
| Post-employments benefits    | 1,614           | 1,214           |
| Total                        | <u>\$39,855</u> | <u>\$34,621</u> |

(8) Pledged assets

The assets held by the Company were pledge as collateral to banks or lease companies for acquiring credit lines as follows:

| Item                               | Carrying amount    |                    | Purpose of pledge  |
|------------------------------------|--------------------|--------------------|--|
|                                    | December 31, 2023  | December 31, 2022  |  |
| Property, plant and equipment      | \$6,653,759        | \$7,006,723        | Long-term and short-term borrowings                        |
| Financial assets at amortized cost | 7,991              | 835                | Guaranteed deposits for projects, issuing letter of credit |
| Total                              | <u>\$6,661,750</u> | <u>\$7,007,558</u> |  |

(9) Significant contingencies and unrecognized contract commitments

- As of December 31, 2023 and 2022, the issued but unused letters of credit for purchasing raw materials and machinery equipment amounted to NT\$78,480 thousand and NT\$149,408 thousand, respectively.
- Significant contract commitments — purchase amount that the performance obligations are not completed

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

|  | December 31, 2023 | December 31, 2022 |
|--|-------------------|-------------------|
| Raw materials and property,<br>plant and equipment | <u>\$535,188</u>  | <u>\$524,871</u>  |

(10) Losses due to major disasters

None.

(11) Significant subsequent events

None.

(12) Others

1. Capital management

The Company's managing capital is based on industry scale of operating business, taking into consideration of the industry future growth and product developments, and sets up an appropriate market share, according to that, plans corresponding capital expenditure. In addition to calculate demanded working capital based on financial operating plans, and finally determine an appropriate cost structure by considering operating income and cash flow arising from product competitiveness.

The Company monitors working capital through regularly reviewing the ratio of liabilities to assets. The ratios of liabilities to assets of the Company for the years ended December 31, 2023 and 2022, are as follows:

|                                | December 31,<br>2023 | December 31,<br>2022 |
|--------------------------------|----------------------|----------------------|
| Total assets                   | \$20,411,603         | \$21,278,737         |
| Total liabilities              | 11,688,130           | 12,429,071           |
| Ratio of liabilities to assets | 57.26%               | 58.41%               |

2. Types of financial instruments

| <u>Financial assets</u>   | December 31,<br>2023 | December 31,<br>2022 |
|---|----------------------|----------------------|
| Financial assets at fair value through<br>other comprehensive income  |                      |                      |
| Investments in equity instruments<br>elected to be measured at fair value<br>through other comprehensive income | \$182,667            |                      |
| Accounts receivables  | 678,026              | \$101,919            |
| Financial assets at amortized cost  |                      |                      |
| Cash and cash equivalents<br>(excluding cash on hand)   | 644,155              | 993,150              |
| Financial assets at amortized cost  | 7,991                | 155,930              |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

| <u>Financial assets</u>                          | December 31,<br>2023 | December 31,<br>2022 |
|--|----------------------|----------------------|
| Notes receivables                                | 10,104               | -                    |
| Accounts receivables (including related parties) | 1,855,802            | 2,143,717            |
| Other receivables                                | 84,507               | 173,888              |
| Guaranteed deposits paid                         | 12,644               | 2,644                |
| Total  | <u>\$3,475,896</u>   | <u>\$4,402,082</u>   |
|  |                      |                      |
| <u>Financial liabilities</u>                     | December 31,<br>2023 | December 31,<br>2022 |
| Financial liabilities at amortized cost          |                      |                      |
| Short-term borrowings                            | \$1,876,337          | \$1,747,359          |
| Short-term notes payables                        | 1,000,000            | 1,060,000            |
| Notes payables                                   | 423,851              | 524,871              |
| Accounts payables                                | 471,915              | 819,121              |
| Other payables                                   | 483,005              | 691,583              |
| Long-term borrowings (including current portion) | 6,943,487            | 7,020,536            |
| Lease liabilities                                | 251,515              | 258,021              |
| Total  | <u>\$11,450,110</u>  | <u>\$12,121,491</u>  |

3. Objective and policies of financial risk management

The Company's principal objective of financial risk management is to manage the market risk, credit risk, and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant financial activities, the board of directors and audit committee must carry out due approval process based on related protocols and internal control procedures. When implementing financial management activities, the Company shall comply with its financial risk management regulations strictly.

4. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risks comprise foreign currency risk, interest rate risk, and other price risk (e.g. equity instrument)

In practice, it is rarely the case that a single risk variable would change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed as follows does not take into account the interdependencies between risk variables.

## Hota Industrial Manufacturing Company

### Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

#### Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to the Company's operating activities (when revenue or expenses are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign operations.

Some of the receivables and payables are denominated in the same foreign currencies; thus, the positions would benefit from the natural hedging effect. The foreign currency risk of some of the payments denominated in foreign currencies is managed by forward exchange contracts. However, managing foreign currency risk by natural hedging and forward exchange contracts do not qualify for hedge accounting, hedge accounting was not used. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The sensitivity analyses of the Company's foreign currency risk are mainly toward the effects on the Company's profit or loss and equity of related appreciation and depreciation of foreign currencies arising from the monetary items denominated in main foreign currencies at the end of the reporting period. The foreign currency risk is mainly affected by the fluctuations of the exchange rate of USD and EURO, and the results of the sensitivity analyses are as follows:

A strengthening/weakening of 1% of the NTD against the USD, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$22,285 thousands and NT\$27,727 thousands, respectively.

A strengthening/weakening of 1% of the NTD against the EURO, would have decreased/increased the profit or loss for the years ended December 31, 2023 and 2022 by NT\$2,521 thousands and NT\$2,947 thousands, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates. The Company's exposure to the interest rate risk relates primarily to the Company's investments in debt instruments at floating rate, borrowings with fixed interest rates and borrowings with floating interest rates.

The Company manages interest rate risk by maintaining appropriate combination of fixed and floating interest rate instruments, and utilizing interest rate swap contracts. However, as those methods do not qualify for hedge accounting, hedge accounting was not used.

The sensitivity analyses of interest rate risk are performed on borrowings at floating interest rates at the end of the reporting period, and assume holding them for a fiscal year. An increase/decrease of 0.1% of interest rate, would have decrease/increase the profit for the years ended December 31, 2023 and 2022 by NT\$8,820 thousands and NT\$7,020 thousands, respectively.

#### Equity price risk



## Hota Industrial Manufacturing Company

### Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The fair values of the unlisted equity securities by the Company are susceptible to the investment targets' uncertainty of future value. The unlisted equity securities held by the Company are recognized in financial asset at fair value through other comprehensive income. The Company manages the price risk of equity securities by diversified investments and setting upper limit to investment in a single equity security and to the whole equity securities investments. The portfolio information of equity securities shall be provided to high level of management of the Company on a regular basis, and the decision of all the equity securities investments shall be reviewed and approved by the board of directors.

Please refer to Note 12.8 for the sensitivity analysis information on other equity instruments and derivative instruments linked with equity instruments, with fair value hierarchy of level 3.

#### 5. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Company. The Company is exposed to credit risks from operating activities (primarily accounts and notes receivables) and financial activities (primarily bank deposits and various financial instruments)

Each operating unit of the Company follows the credit risk policies, procedures and controls to manage the credit risk. The credit risk assessment is comprehensively based on the financial condition of counterparties, the credit rating, historical transaction experiences, current economic environment, and the Company's internal rating, etc. Additionally, the Company uses some credit enhancement instruments (e.g. advance sales receipts, etc.) to decrease the credit risk of specific counterparties.

As of December 31, 2023 and 2022, the Company's five largest customers accounted for 83.36% and 72.69% of accounts receivables, respectively. The Company considers the concentration of credit risk for the remaining accounts receivables not material.

The finance department of the Company manages the credit risk of bank deposits, fixed income securities, and other financial instruments based on the Company's policies. As the counterparties of transactions are determined by the internal control procedures, they are reputable banks and investment grade financial institutions, companies, and government agencies. There's no significant concern over the performance of contracts; thus, there's no material credit risk.

#### 6. Liquidity risk management

The Company maintains financial flexibility by cash and cash equivalents, security with high liquidity, bank loans, convertible bonds, and contracts, such as leases. The table below summarized the maturity profile of the Company's financial liabilities based on the earliest maturity and the contractual undiscounted cash flows. The amounts include contractual interests. For the cash flows of floating rate interests, the undiscounted interests were derived by the yield curve as of the end of the reporting period.

#### Non-derivative financial instruments

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

|                           | Within 1<br>year | 1-2 years | 2-5 years | Over 5<br>years | Total       |
|---------------------------|------------------|-----------|-----------|-----------------|-------------|
| December 31,<br>2023      |                  |           |           |                 |             |
| Short-term borrowings     | \$1,883,156      | \$-       | \$-       | \$-             | \$1,883,156 |
| Short-term notes payables | 1,000,000        | -         | -         | -               | 1,000,000   |
| Notes payables            | 423,851          | -         | -         | -               | 423,851     |
| Accounts payables         | 471,915          | -         | -         | -               | 471,915     |
| Other payables            | 483,005          | -         | -         | -               | 483,005     |
| Lease liabilities         | 15,567           | 11,126    | 30,978    | 261,129         | 318,800     |
| Long-term borrowings      | 1,136,688        | 1,932,483 | 2,850,339 | 1,599,466       | 7,518,976   |
| December 31,<br>2022      |                  |           |           |                 |             |
| Short-term borrowings     | \$1,752,502      | \$-       | \$-       | \$-             | \$1,752,502 |
| Short-term notes payables | 1,060,000        | -         | -         | -               | 1,060,000   |
| Notes payables            | 524,871          | -         | -         | -               | 524,871     |
| Accounts payables         | 819,121          | -         | -         | -               | 819,121     |
| Other payables            | 691,583          | -         | -         | -               | 691,583     |
| Lease liabilities         | 14,827           | 22,252    | 21,652    | 270,455         | 329,186     |
| Long-term borrowings      | 709,480          | 2,575,589 | 2,603,461 | 1,692,428       | 7,580,958   |

7. Reconciliation of liabilities arising from financing activities

Reconciliation schedule of liabilities for the year ended December 31, 2023:

|                 | Short-term borrowings | Short-term notes payables | Long-term borrowings | Lease liabilities | Dividends payables | Total liabilities from financing activities |
|-----------------|-----------------------|---------------------------|----------------------|-------------------|--------------------|---|
| January 1, 2023 | \$1,747,359           | \$1,060,000               | \$7,020,536          | \$258,021         | \$-                | \$10,085,916                                |
| Cash flows      | 127,985               | (60,000)                  | (90,577)             | (6,506)           | (447,228)          | (476,326)                                   |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

|                          |                    |                    |                     |                  |            |                     |
|--------------------------|--------------------|--------------------|---------------------|------------------|------------|---------------------|
| Additions                | -                  | -                  | -                   | -                | 447,228    | 447,228             |
| Non-cash changes         | -                  | -                  | 13,528              | -                | -          | 13,528              |
| Changes in exchange rate | 993                | -                  | -                   | -                | -          | 993                 |
| December 31, 2023        | <u>\$1,876,337</u> | <u>\$1,000,000</u> | <u>\$ 6,943,487</u> | <u>\$251,515</u> | <u>\$-</u> | <u>\$10,071,339</u> |

Reconciliation schedule of liabilities for the year ended December 31, 2022:

|                          | Short-term borrowings | Short-term notes payables | Long-term borrowings | Lease liabilities | Dividend s payables | Total liabilities from financing activities |
|--------------------------|-----------------------|---------------------------|----------------------|-------------------|---------------------|---|
| January 1, 2022          | \$947,263             | \$1,260,000               | \$5,475,061          | \$255,704         | \$-                 | \$7,938,028                                 |
| Cash flows               | 794,943               | (200,000)                 | 1,544,289            | (10,360)          | (381,541)           | 1,747,331                                   |
| Additions                | -                     | -                         | -                    | -                 | 381,541             | 381,541                                     |
| Non-cash changes         | -                     | -                         | 1,186                | 12,677            | -                   | 13,863                                      |
| Changes in exchange rate | 5,153                 | -                         | -                    | -                 | -                   | 5,153                                       |
| December 31, 2022        | <u>\$1,747,359</u>    | <u>\$1,060,000</u>        | <u>\$7,020,536</u>   | <u>\$258,021</u>  | <u>\$-</u>          | <u>\$10,085,916</u>                         |

8. Fair value of financial instruments

1) The valuation techniques and assumptions used to measure fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used to measure or disclose the fair value of financial assets and liabilities are as follows:

- A. All the carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities is the reasonable approximation of fair value, because the duration of the instruments aforementioned is short.
- B. The fair value of financial assets and liabilities with standardized terms and conditions traded in active market is determined by referring the market quoted prices (e.g. stocks of listed companies, beneficiary certificate, bonds, and futures, etc.)
- C. The fair value of equity instruments without active markets (e.g. private placement stocks of listed companies, stocks of public offering companies without active market, and stocks of non-public offering companies) is assessed by the market approach, which uses prices and other relevant information (inputs such as discount for lack of marketability analysis, the P/E ratio of comparable companies, and P/B ratio of comparable companies, etc.) generated by market transactions involving identical or comparable equity instruments.

## Hota Industrial Manufacturing Company

### Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

- D. The fair values of bank loans and other non-current liabilities without active market quotations are determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions, such as the interest rate and discount rate, are primarily based on relevant information of similar instruments (e.g. yield curves published by Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).
- E. The fair values of derivative financial instruments, which are not options, are determined based on the counterparty prices or discounted cash flow analysis by the yield curve applicable in the duration. For derivative financial instruments, which are not options, the fair values are determined based on the counterparty prices, appropriate option pricing models (e.g. Monte Carlo Simulation), or other valuation methods.

#### 2) Fair value of financial instruments at amortized cost

The carrying amounts of financial assets and liabilities are close to fair value of the instruments.

#### 3) Relevant information on fair value hierarchy of financial instruments

Please refer to Note 12.9 for the information on fair value hierarchy of financial instruments.

### 9. Fair value hierarchy

#### 1) Definition of fair value hierarchy

Measuring and disclosing all of the assets and liabilities are to categorize the fair value hierarchy by the lowest level input that is significant to the entire measurement. The inputs of each level are as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

#### 2) The information of fair value hierarchy

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

The Group does not hold assets and liabilities measured at fair value on a non-recurring basis. The information of fair value hierarchy for the assets measured at fair value on a recurring basis is as follows:

| December 31, 2023   | Level 1         | Level 2          | Level 3          | Total            |
|---|-----------------|------------------|------------------|------------------|
| Assets measured at fair value:                                    |                 |                  |                  |                  |
| Financial assets at fair value through other comprehensive income |                 |                  |                  |                  |
| Equity securities   | \$47,785        | \$-              | \$134,882        | \$182,667        |
| Accounts receivables  | -               | 678,026          | -                | 678,026          |
| Total   | <u>\$47,785</u> | <u>\$678,026</u> | <u>\$134,882</u> | <u>\$860,693</u> |
| December 31, 2022   | Level 1         | Level 2          | Level 3          | Total            |
| Assets measured at fair value:                                    |                 |                  |                  |                  |
| Financial assets at fair value through other comprehensive income |                 |                  |                  |                  |
| Equity securities   | \$41,808        | \$-              | \$60,111         | \$101,919        |
| Accounts receivables  | -               | 830,834          | -                | 830,834          |
| Total   | <u>\$41,808</u> | <u>\$830,834</u> | <u>\$60,111</u>  | <u>\$932,753</u> |

The methods and assumptions used to measure fair value are explained as follows:

The instruments using market quoted price as the inputs of fair value (level 1) are listed below based on the characteristics:

|                     | Stocks of listed companies           | Open-ended funds                |
|---------------------|--------------------------------------|---------------------------------|
| Market quoted price | Closing prices at the valuation date | Net worth at the valuation date |

Transfers between fair value hierarchy of level 1 and level 2

For the years ended December 31, 2023 and 2022, there is no transfers between fair value hierarchy of level 1 and level 2 in assets and liabilities measured at fair value on a recurring basis.

Changes in level 3 for the years ended December 31, 2023 and 2022 are as follows:

|   | 2023            | 2022         |
|---|-----------------|--------------|
| Beginning balance                                       | \$60,111        | \$54,313     |
| Acquisition in the current period                       | 88,395          | 6,375        |
| Gains (losses) recognized in other comprehensive income | <u>(13,624)</u> | <u>(577)</u> |

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

|                | 2023      | 2022     |
|----------------|-----------|----------|
| Ending balance | \$134,882 | \$60,111 |

- 3) The information of fair value hierarchy for the assets not measured at fair value which shall be disclosed is as follows

| December 31, 2023                                | Level 1 | Level 2 | Level 3  | Total    |
|--|---------|---------|----------|----------|
| Assets whose fair value shall only be disclosed: |         |         |          |          |
| Investment properties (Please refer to Note 6.8) | \$-     | \$-     | \$34,985 | \$34,985 |

| December 31, 2022                                | Level 1 | Level 2 | Level 3  | Total    |
|--|---------|---------|----------|----------|
| Assets whose fair value shall only be disclosed: |         |         |          |          |
| Investment properties (Please refer to Note 6.8) | \$-     | \$-     | \$34,985 | \$34,985 |

10. Information on significant assets and liabilities denominated in foreign currencies

The information on significant assets and liabilities denominated in foreign currencies is as follows:

|                   |                     |                  | Expressed in thousands of New Taiwan Dollars |                     |                  |             |
|-------------------|---------------------|------------------|--|---------------------|------------------|-------------|
| December 31, 2023 |                     |                  | December 31, 2022                            |                     |                  |             |
|                   | Foreign<br>currency | Exchange<br>rate | NTD  | Foreign<br>currency | Exchange<br>rate | NTD         |
| <hr/>             |                     |                  |  |                     |                  |             |
| Financial assets  |                     |                  |  |                     |                  |             |
| <hr/>             |                     |                  |  |                     |                  |             |
| Monetary items    |                     |                  |  |                     |                  |             |
| <hr/>             |                     |                  |  |                     |                  |             |
| USD:NTD           | \$73,312            | 30.71            | \$2,251,045                                  | \$91,152            | 30.71            | \$2,799,278 |
| EURO:NTD          | 7,896               | 33.98            | 268,306                                      | 9,521               | 32.72            | 311,527     |
| <br>              |                     |                  |  |                     |                  |             |
| Financial         |                     |                  |  |                     |                  |             |
| liabilities       |                     |                  |  |                     |                  |             |
| <hr/>             |                     |                  |  |                     |                  |             |
| Monetary items    |                     |                  |  |                     |                  |             |
| <hr/>             |                     |                  |  |                     |                  |             |
| USD:NTD           | \$734               | 30.71            | \$22,537                                     | \$867               | 30.71            | \$26,626    |
| EURO:NTD          | 477                 | 33.98            | 16,208                                       | 513                 | 32.72            | 16,785      |

As there were various functional currencies of each entity of the Group, the Group was unable to disclose foreign exchange gains or losses towards each foreign currency with significant impact. The Group recognized net exchange net gains amounted to NT\$22,380 thousand and NT\$268,491 thousand for the years ended December 31, 2023 and 2022, respectively.

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

The aforementioned information is disclosed based on the carrying amounts of foreign currencies (after being converted into functional currency).

(13) Other disclosures

1. Information on significant transactions

- 1) Loans to others : Table 1
- 2) Provision of endorsements and guarantees to others : Table 2
- 3) Holding of marketable securities at the end of the period : Table 3
- 4) Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 5) Acquisition of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 6) Disposal of real estate reaching NT\$300 million or 20% of the Company's paid-in capital or more : None.
- 7) Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 8) Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more : None.
- 9) Trading in derivative instruments : None.
- 10) Others : Business relationships among the parent company and subsidiaries, and significant intercompany transactions (amount reaching NT\$100 million or 20% of paid-in capital or more) : None.

2. Information on investees : Table 4

3. Information on Investees in Mainland China

- 1) The Company reinvested in investees in Mainland China by Captain Holding Co., Ltd. : Please refer to Table 5.
- 2) Significant transactions directly or indirectly through the third region with the investees in Mainland China, and the prices, payment terms, and unrealized gains and losses : The amount of purchases by the Company from the investees in Mainland China does not reach 10% of the total purchases for the years ended December 31, 2023. The prices are based on general purchase prices, and payments are made in advance.

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

4. Information on major shareholders :

Information on major shareholders : No individual shareholder holds over 5% of the shares.



Hota Industrial Manufacturing Company and Subsidiaries  
Notes to the consolidated financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 1 : Loans to others

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

| No.<br>(Note 1) | Name of lender                        | Name of borrower                    | Account           | Related party | Highest balance during the period | Ending balance (Note 6) | Actual usage amount | Interest rate interval | Nature of the financing (Note 4) | Transaction amount | Reasons for short-term financing | Allowance for bad debt | Collateral |       | Individual funding loan limits (Note 3) | Maximum limit of fund financing (Note 2) | Note |
|-----------------|---------------------------------------|-------------------------------------|-------------------|---------------|-----------------------------------|-------------------------|---------------------|------------------------|----------------------------------|--------------------|----------------------------------|------------------------|------------|-------|---|--|------|
|                 |                                       |                                     |                   |               |                                   |                         |                     |                        |                                  |                    |                                  |                        | Name       | Value |   |  |      |
| 0               | Hota Industrial Manufacturing Company | YUNG-CHIN DEVELOP FORGING CO., LTD. | Other receivables | N             | \$12,000                          | \$9,600                 | \$7,200             | 2.75                   | 2                                | \$-                | Procurement of equipment         | \$-                    | None       | \$-   | \$1,744,696                             | \$3,489,389                              | 5    |
| 0               | Hota Industrial Manufacturing Company | JIAN Li Co.                         | Other receivables | N             | 6,000                             | 6,000                   | 6,000               | 2.75                   | 2                                | -                  | Procurement of equipment         | -                      | None       | -     | 1,744,696                               | 3,489,389                                | 5    |

Note 1 : The “No.” column shall be filled as follows :

(1) The issuer is 0.

(2) The investees are sequentially numbered from 1.

Note 2 : The Company regulates that the maximum limit of fund financing shall not exceed 40% of the net worth of the Company.

Note 3 : The Company regulates that the individual funding loan limit shall not exceed 20% of the net worth of the Company.

Note 4 : (1) The Company has business relations with the company. (2) In need of short-term financing.

Note 5 : The amounts have been eliminated in the consolidated financial statements.

Note 6 : Ending balance is the same as the fund financing amount approved by the board of directors.

**Hota Industrial Manufacturing Company and Subsidiaries**  
**Notes to the consolidated financial statements (cont.)**  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 2 : Provision of endorsements and guarantees to others

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

| No.<br>(Note 1) | Name of endorser and guarantor        | Guarantee and endorsee                               |                       | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3) | Highest balance for guarantee and endorsements during the period (Note 4) | Balance of guarantees and endorsements, end of the period (Note 5) | Actual usage amount (Note 6) | Amount of property pledged for guarantee and endorsement | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 3) | Parent company endorsements/ guarantees to subsidiary (Note 7) | Subsidiary endorsement s/ guarantees to the parent company (Note 7) | Endorsement s/ guarantees to third parties on behalf of companies in Mainland China (Note 7) | Note   |
|-----------------|---------------------------------------|--|-----------------------|--|---|--|------------------------------|--|---|---|--|---|--|--------|
|                 |                                       | Company name   | Relationship (Note 2) |  |   |  |                              |  |   |   |  |   |  |        |
| 0               | Hota Industrial Manufacturing Company | Howon (Whaian) Automobile Components Company Limited | 2                     | \$1,744,695  | \$312,900   | \$249,325  | \$249,325                    | -  | 2.86%   | \$3,489,389   | Y  | N   | Y  | Note 7 |
| 0               | Hota Industrial Manufacturing Company | Howon (Whaian) Automobile Components Company Limited | 2                     | 1,744,695  | 244,062   | 239,499  | 239,499                      | -  | 2.75%   | 3,489,389   | Y  | N   | Y  | Note 8 |
| 0               | Hota Industrial Manufacturing Company | Howon (Whaian) Automobile Components Company Limited | 2                     | 1,744,695  | 93,870  | 92,115   | 92,115                       | -  | 1.06%   | 3,489,389   | Y  | N   | Y  | Note 9 |
| 0               | Hota Industrial Manufacturing Company | Howon (Whaian) Automobile Components Company Limited | 2                     | 1,744,695  | 239,360   | 237,985  | 237,985                      | -  | 2.73%   | 3,489,389   | Y  | N   | Y  | Note 9 |
| 0               | Hota Industrial Manufacturing Company | Hefu Construction Co., Ltd                           | 6                     | 1,744,695  | 156,000   | 156,000  | 148,000                      | -  | 1.70%   | 3,489,389   | N  | N   | N  |        |

Note 1 : The “No.” column shall be filled as follows :

- (1). The issuer is 0.
- (2). The investees are sequentially numbered from 1.

Note 2 : There are 7 types of relationships between the endorser/guarantor and the endorsee/guarantee. Only numbers of types shall be indicated: :

- (1). Entities have business relations with the Company
- (2). The Company directly or indirectly holds more than 50% of voting shares of the entity.
- (3). Entity directly or indirectly owns more than 50% of voting shares of the Company.
- (4). The parent directly or indirectly through subsidiaries holds more than 50% of voting shares of the entity.
- (5). The Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6). All capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7). Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3 : The endorsement provided for an individual enterprise shall not exceed 20% of the net worth, and the total endorsement provided shall not exceed 40% of the net worth.

Hota Industrial Manufacturing Company  
Notes to the parent company only financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Note 4 : The maximum balance amount for guarantees and endorsements in current year.

Note 5 : Actual usage amount within the limitation on amount of guarantees and endorsements

Note 6 : Fill in Y, under the circumstances of parent company endorsements/guarantees to third parties on behalf of subsidiary, subsidiary endorsements/guarantees to third parties on behalf of parent company, or endorsements/guarantees to third parties on behalf of companies in Mainland China.

Note 7 : Ending balance of endorsement provided for Howon Automobile Components is USD8,120 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 8 : Ending balance of endorsement provided for Howon Automobile Components is USD7,800 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 9 : Ending balance of endorsement provided for Howon Automobile Components is USD3,000 thousand and CNY55,000 thousand, which is translated by the exchange rate of USD:NTD 30.705 : 1 and CNY:NTD 4.327:1 as of December 31, 2023.

Hota Industrial Manufacturing Company and Subsidiaries  
Notes to the consolidated financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 3 : Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates, and joint ventures)

Expressed in thousands of New Taiwan Dollars

(Except as indicated)

| Holding company                       | Type of the security | Name of the security                 | Relationship with the issuer                            | Account  | End of the period |                 |                         |            | Note |
|---------------------------------------|----------------------|--------------------------------------|---|--|-------------------|-----------------|-------------------------|------------|------|
|                                       |                      |                                      |   |  | Number of shares  | Carrying amount | Percentage of ownership | Fair value |      |
| HOTATECH                              | Stock                | ALPHABET INC.(GOOG)                  | -   | Financial assets mandatorily measured at fair value through profit or loss - current | 1,000             | \$4,327         | -                       | \$4,327    |      |
| HOTATECH                              | Stock                | Lucid Group Inc.(LCID)               | -   | Financial assets mandatorily measured at fair value through profit or loss - current | 1,600             | 207             | -                       | 207        |      |
| HOTATECH                              | Stock                | Rivian Automotive,Inc./DE(RIVN)      | -   | Financial assets mandatorily measured at fair value through profit or loss - current | 3,000             | 2,161           | -                       | 2,161      |      |
| HOTATECH                              | Stock                | Tesla,Inc.(TSLA)                     | -   | Financial assets mandatorily measured at fair value through profit or loss - current | 1,000             | 7,630           | -                       | 7,630      |      |
| Hota Industrial Manufacturing Company | Stock                | World Known MFG (Cayman) Limited     | -   | Financial assets at fair value through other comprehensive income - current          | 335,000           | 22,579          | -                       | 22,579     |      |
| Hota Industrial Manufacturing Company | Stock                | Hwa Fong Rubber Ind. Co., Ltd.(2109) | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - current          | 1,714,679         | 25,206          | -                       | 25,206     |      |
| Howin Precision Company Limited       | Stock                | Hwa Fong Rubber Ind. Co., Ltd.(2109) | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - current          | 428,669           | 6,301           | -                       | 6,301      |      |
| Hozuan Investment Company Limited     | Stock                | Hwa Fong Rubber Ind. Co., Ltd.(2109) | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - current          | 2,462,854         | 36,204          | -                       | 36,204     |      |

**Hota Industrial Manufacturing Company**  
**Notes to the parent company only financial statements (cont.)**  
**(Except as indicated, expressed in thousands of New Taiwan Dollars)**

Table 3 (cont.) : Holding of marketable securities at the end of the period (excluding investments in subsidiaries, associates, and joint ventures)

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

| Holding company                       | Type of the security | Name of the security                             | Relationship with the issuer                            | Account   | End of the period |                 |                         |            | Note |
|---------------------------------------|----------------------|--|---|---|-------------------|-----------------|-------------------------|------------|------|
|                                       |                      |  |   |   | Number of shares  | Carrying amount | Percentage of ownership | Fair value |      |
| Hota Industrial Manufacturing Company | Stock                | BMB Venture Capital Investment Corporation       | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | 3,128,588         | \$18,600        | 9.08                    | \$18,600   |      |
| Hota Industrial Manufacturing Company | Stock                | KWONG LUNG ENTERPRISE CO.,LTD.                   | -   | Financial assets at fair value through other comprehensive income - non-current | 689,189           | 10,291          | 4.05                    | 10,291     |      |
| Hota Industrial Manufacturing Company | Stock                | MAIN DRIVE CORPORATION                           | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | 8,218,000         | 63,841          | 11.29                   | 63,841     |      |
| Hota Industrial Manufacturing Company | Stock                | Research Innovation Capital Corporation          | -   | Financial assets at fair value through other comprehensive income - non-current | 6,000,000         | 30,000          | 17.86                   | 30,000     |      |
| Hota Industrial Manufacturing Company | Ball card            | Taichung International Entertainment Corporation | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - non-current | -                 | 12,150          | 0.09                    | 12,150     |      |
| Howin Precision Company Limited       | Stock                | Hoga Industry Co., Ltd.                          | Chairman of the Company is the chairman of the company. | Financial assets at fair value through other comprehensive income - current     | 577               | 5,758           | 7.84                    | 5,758      |      |

Note 1: The securities mentioned in this table refer to the stocks, bonds, beneficiary certificates and securities derived from the above items that fall within the scope of the International Financial Reporting Standard No. 9 “Financial Instruments.”

Note 2: If the securities issuer is not a related party, this column is not required.

Note 3 : If measured at fair value, please fill in the carrying amount of column B after fair value evaluation adjustments and deduct accumulated impairment; if it is not measured at fair value, please fill in the original acquisition cost or amortized cost after deduction of accumulated impairment in the book value column B the book balance. °

Note 4 : The listed securities have users who are restricted due to the provision of guarantees, pledged loans, or other agreed upon agreement. The Note column should indicate the number of guarantees or pledged shares, the amount of guarantees or pledges, and the circumstances of restricted use

Hota Industrial Manufacturing Company and Subsidiaries  
Notes to the consolidated financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 4 : Information on investees

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

| Name of the investor company          | Name of the investee company      | Location   | Main business   | Original investment amount |                     | Holding at end of the period |                         |                 | Profit or loss of investees in the current period | Gains or losses on investments recognized in the current period | Note                               |
|---------------------------------------|-----------------------------------|------------|---|----------------------------|---------------------|------------------------------|-------------------------|-----------------|---|---|------------------------------------|
|                                       |                                   |            |   | End of the period          | End of prior period | Number of shares             | Percentage of ownership | Carrying amount |   |   |                                    |
| Hota Industrial Manufacturing Company | Hozuan Investment Company Limited | Taiwan     | Investment activities   | \$167,190                  | \$167,190           | 25,221,000                   | 100.00                  | \$275,734       | \$17,309  | \$17,309  | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | CAPTAIN HOLDING CO.,LTD.          | Seychelles | Holding company   | 326,073                    | 326,073             | 10,602,990                   | 100.00                  | 183,144         | (15,184)  | (15,184)  | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | HOTATECH, INC.                    | USA        | Sales of various precision gears and shafts of automobiles  | 173,638                    | 173,638             | 530,200                      | 100.00                  | 260,646         | 8,714   | 8,714   | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | HOTA USA INC.                     | USA        | Holding company   | 3,225                      | -                   | 1,000,000                    | 100.00                  | 1,026           | (2,074)   | (2,074)   | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | Howin Precision Company Limited   | Taiwan     | Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts | 41,450                     | 41,450              | 7,305,147                    | 61.05                   | 81,169          | (5,892)   | (3,598)   | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | Juda Intelligent Technology       | Taiwan     | Manufacturing and sales of various of precision gears for automobiles and motorbikes  | 159,741                    | 5,000               | 15,974,146                   | 100.00                  | 161,712         | 1,975   | 1,975   | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | Hefu Construction Co., Ltd        | Taiwan     | Construction and investment development of residences, apartments and mixed residential office buildings  | 68,000                     | 68,000              | 6,800,000                    | 50.00                   | 66,617          | (508)   | (254)   | Subsidiary of the Company (Note 4) |
| Hota Industrial Manufacturing Company | Helun Precision Co., Ltd.         | Taiwan     | Manufacturing and sell various of precision gears for automobiles and motorbikes  | 5,000                      | 5,000               | 500,000                      | 100.00                  | 5,019           | 26  | 26  | Subsidiary of the Company (Note 4) |

Hota Industrial Manufacturing Company

Notes to the parent company only financial statements (cont.)

(Except as indicated, expressed in thousands of New Taiwan Dollars)

| Name of the investor company          | Name of the investee company                 | Location | Main business   | Original investment amount |                     | Holding at end of the period |                         |                 | Profit or loss of investees in the current period | Gains or losses on investments recognized in the current period | Note  |
|---------------------------------------|--|----------|---|----------------------------|---------------------|------------------------------|-------------------------|-----------------|---|---|---|
|                                       |  |          |   | End of the period          | End of prior period | Number of shares             | Percentage of ownership | Carrying amount |   |   |   |
| HOTA USA INC.                         | Hota Industries, LLC                         | USA      | Manufacturing and sell various of precision gears for automobiles   | 35                         | -                   | -                            | 100                     | 35              | (1)   | (1)   | Subsidiary of the Company(Note 2, 4)                |
| Hota Industrial Manufacturing Company | KAO FONG MACHINERY CO., LTD.                 | Taiwan   | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 11,400                     | 11,400              | 838,878                      | 0.78                    | 14,420          | 104,367   | 811   | Investee accounted for using equity method (Note 3) |
| Hota Industrial Manufacturing Company | TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | Taiwan   | Removal, storage and treatment of general and hazardous industrial waste  | 12,500                     | 12,500              | 375,000                      | 25.00                   | -               | -   | -   | Investee accounted for using equity method (Note 1) |
| Hota Industrial Manufacturing Company | TAKAWA SEIKI, INC.                           | USA      | Machinery traders and agents  | 3,607                      | 3,607               | 120,000                      | 40.00                   | 3,036           | 2,268   | 907   | Investee accounted for using equity method          |

Hota Industrial Manufacturing Company and Subsidiaries  
Notes to the consolidated financial statements (cont.)  
(Except as indicated, expressed in thousands of New Taiwan Dollars)

Table 4 (cont.) : Information on investees

Expressed in thousands of New Taiwan Dollars  
(Except as indicated)

| Name of the investor company          | Name of the investee company | Location | Main business   | Original investment amount |                     | Holding at end of the period |                         |                 | Profit or loss of investees in the current period | Gains or losses on investments recognized in the current period | Note   |
|---------------------------------------|------------------------------|----------|---|----------------------------|---------------------|------------------------------|-------------------------|-----------------|---|---|--|
|                                       |                              |          |   | End of the period          | End of prior period | Number of shares             | Percentage of ownership | Carrying amount |   |   |  |
| Hota Industrial Manufacturing Company | LING WEI CO., LTD.           | Taiwan   | Hardware wholesale industry   | 36,338                     | 36,338              | 3,633,750                    | 45.00                   | 45,090          | 6,905   | 2,612   | Investee accounted for using equity method             |
| Hozuan Investment Company Limited     | KAO FONG MACHINERY CO., LTD. | Taiwan   | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 187,141                    | 187,141             | 16,501,826                   | 15.28                   | 242,469         | 104,367   | 15,945  | Investee accounted for using equity method (Note 2, 3) |
| Howin Precision Company Limited       | KAO FONG MACHINERY CO., LTD. | Taiwan   | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 677                        | 677                 | 49,471                       | 0.05                    | 850             | 104,367   | 48  | Investee accounted for using equity method (Note 2, 3) |

Note 1 : The carrying amount of the long-term investment is the balance after the impairment loss of NT\$3,736 thousand has been recognized.

Note 2 : Gains or losses on investments are recognized through subsidiaries.

Note 3 : KAO FONG MACHINERY CO., LTD. is jointly held by Hota Industrial Manufacturing Company, Howin Precision Company Limited, and Hozuan Investment Company Limited.

The total percentage of ownership is 16.11%, and the gains on investments recognized by the Company amounted to NT\$16,804 thousand.

Note 4 : The amounts have been eliminated in the consolidated financial statements.



**Hota Industrial Manufacturing Company**  
**Notes to the parent company only financial statements (cont.)**  
**(Except as indicated, expressed in thousands of New Taiwan Dollars)**

Table 5 : Information on investees in Mainland China  
Dollars

Expressed in thousands of New Taiwan

(Except as indicated)

| Names of investee in Mainland China                  | Main business   | Paid-in capital                   | Method of investment (Note 1) | Accumulated outward remittance for investment from Taiwan, beginning of the period | Remittance of funds in the current period |        | Accumulated outward remittance for investment from Taiwan, end of the period | Profit or loss of investees in the current period | Direct and indirect percentage of ownership | Gains or losses on investments recognized in the current period | Ending carrying amount of the investment | Accumulated repatriation of gain on investment as of end of the period | Note      |
|--|---|-----------------------------------|-------------------------------|--|---|--------|--|---|---|---|--|--|-----------|
|  |   |                                   |                               |  | Outward                                   | Inward |  |   |   |   |  |  |           |
| Howon (Whaian) Automobile Components Company Limited | Manufacturing and selling of automobile gearboxes and gears | \$509,703<br>(USD16,600 thousand) | 2                             | \$503,562<br>(USD16,400 thousand)  | -   | -      | \$503,562<br>(USD16,400 thousand)  | \$(14,635)  | 100%  | \$(14,635)  | \$190,988                                | -  | Note 2, 3 |

| Company name                          | Accumulated outward remittance for investment in Mainland China as of end of the period | Investment amount authorized by investment commission, MOEA | Upper limit on the amount of investment stipulated by investment commission, MOEA |
|---------------------------------------|---|---|---|
| Hota Industrial Manufacturing Company | \$503,562   | \$503,562   | \$5,234,084   |

Note 1 : There are two methods of investment. Please indicate the number of methods :

- (1) Directly invest in Mainland China
- (2) Indirectly invest in Mainland China through a company set up in the third region.
- (3) Other ways

The Company invested in investees in Mainland China through the subsidiary, CAPTAIN HOLDING CO.,LTD.

Note 2 : Paid-in capital is translated by the exchange rate of USD:NTD 30.705 : 1 as of December 31, 2023.

Note 3 : The aforementioned investments accounted for using equity method is the share of profit or loss of sub-subsidiaries, which is from the self-prepared financial statements not audited by CPA.

Note 4 : According to the limit stipulated in the letter No.006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

Note 5 : Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2023 is USD 16,400 thousand.

- (2) Please refer to Note 13.1 and 2 for the information on the significant transactions between the Company and the investees in Mainland China and the prices, payments.

Hota Industrial Manufacturing Company  
Statement of significant accounting items  
For the year ended December 31, 2023

| Item   | No. / Index |
|--|-------------|
| Statements of cash and cash equivalents  | 1           |
| Statements of financial assets at fair value through other comprehensive income            | Note 6.2    |
| Statements of accounts receivables   | 2           |
| Statements of inventories  | 3           |
| Statements of changes in investments accounted for using equity method                     | 4           |
| Statements of changes in property, plant and equipment                                     | Note 6.7    |
| Statements of short-term borrowings  | 5           |
| Statements of short-term notes payables  | Note 6.10   |
| Statements of notes payables   | 6           |
| Statements of accounts payables  | 7           |
| Statements of other payables   | 8           |
| Statements of long-term borrowings (including current portion)                             | 9           |
| Statements of operating revenue  | 10          |
| Statements of operating costs  | 11          |
| Statements of manufacturing expenses   | 12          |
| Statements of operating expenses   | 13          |
| Current employee benefits, depreciation, and amortization expenses categorized by function | Note 6.19   |
| Statements of non-operating income and expenses  | Note 6.20   |

Hota Industrial Manufacturing Company

1.Statements of cash and cash equivalents

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Item                           | Summary  | Amount           | Note |
|--------------------------------|--|------------------|------|
| Cash on hand                   |  | \$340            |      |
| Bank deposits                  |  |                  |      |
| Demand deposits                |  | 340,149          |      |
| Time deposits                  |  | 667              |      |
| Checking deposits              |  | —                |      |
| Deposits in foreign currencies | Primarily include :<br>USD6,900 thousand<br>EURO991 thousand<br>JPY199,325 thousand<br>CNY703 thousand<br>THB11,978 thousand, etc. |                  |      |
|                                |  | 303,339          |      |
| Total                          |  | <u>\$644,495</u> |      |

Hota Industrial Manufacturing Company

2.Statements of accounts receivables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Name of customer                   | Summary | Amount             | Note |
|------------------------------------|---------|--------------------|------|
| Non-related parties                |         |                    |      |
| Company A                          |         | \$1,164,003        |      |
| Company B                          |         | 604,705            |      |
| Company C                          |         | 284,297            |      |
| Company D                          |         | 251,793            |      |
| Others (Note)                      |         | 290,220            |      |
| Subtotal                           |         | 2,595,018          |      |
| Less: allowances for exchange loss |         | (52,210)           |      |
| Less: loss allowances              |         | (45,485)           |      |
| Accounts receivables, net          |         | <u>\$2,497,323</u> |      |

(Note) Customers with balances not exceeding 5% of the total account balance are presented combinedly.

Hota Industrial Manufacturing Company

3.Statements of inventories

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Item   | Summary | Amount             |                      | Note  |
|--|---------|--------------------|----------------------|---|
|  |         | Cost               | Net realizable value |   |
| Raw materials (including raw materials in transit) |         | \$561,615          | \$546,588            | Please refer to Note 4.9 for the determination of net realizable value. |
| Work in process                                    |         | 1,152,268          | 1,121,344            |   |
| Finished goods                                     |         | 996,837            | 935,586              |   |
| Total  |         |                    | <u>\$2,603,518</u>   |   |
| Less: allowances for inventory valuation loss      |         | (107,202)          |                      |   |
| Net amount   |         | <u>\$2,603,518</u> |                      |   |

Hota Industrial Manufacturing Company  
4.Statements of changes in investments accounted for using equity method  
For the year ended December 31, 2023

Expressed in thousands of shares; thousands of New Taiwan Dollars

| Name   | Beginning balance   |                  | Additions           |                  | Reductions          |            | Amount increased<br>(decreased)<br>accounted for using<br>equity method<br>(Note 1) | Ending balance      |                               |                    | Collateral or<br>guarantee<br>provided | Note |
|--|---------------------|------------------|---------------------|------------------|---------------------|------------|---|---------------------|-------------------------------|--------------------|--|------|
|  | Number of<br>shares | Amount           | Number of<br>shares | Amount           | Number of<br>shares | Amount     |   | Number of<br>shares | Percentage<br>of<br>ownership | Amount             |  |      |
| Associates   |                     |                  |                     |                  |                     |            |   |                     |                               |                    |  |      |
| KAO FONG MACHINERY<br>CO., LTD.                    | 839                 | \$14,132         | -                   | \$-              | -                   | \$-        | \$288   | 839                 | 0.78%                         | \$14,420           | None                                   |      |
| LING WEI CO., LTD.                                 | 3,634               | 44,919           | -                   | -                | -                   | -          | 171   | 3,634               | 45%                           | 45,090             | None                                   |      |
| TAKAWA SEIKI, INC.                                 | 120                 | 2,142            | -                   | -                | -                   | -          | 894   | 120                 | 40%                           | 3,036              | None                                   |      |
| TAIWAN PYROLYSIS &<br>ENERGY<br>REGENERATION CORP. | 375                 | 3,736            | -                   | -                | -                   | -          | -   | 375                 | 25%                           | 3,736              | None                                   |      |
| Accumulated impairment                             |                     | (3,736)          | -                   | -                |                     | -          | -   |                     |                               | (3,736)            |  |      |
| Subtotal   |                     | 61,193           |                     | -                |                     | -          | 1,353   |                     |                               | 62,546             |  |      |
| Subsidiaries                                       |                     |                  |                     |                  |                     |            |   |                     |                               |                    |  |      |
| Howin Precision Company<br>Limited                 | 7,305               | 87,566           | -                   | -                | -                   | -          | (6,397)   | 7,305               | 61.05%                        | 81,169             | None                                   |      |
| Juda Intelligent Technology                        | 500                 | 4,997            | 15,474              | 154,741          | -                   | -          | 1,975   | 15,974              | 100%                          | 161,713            | None                                   |      |
| Hefu Construction Co., Ltd                         | 6,800               | 66,871           | -                   | -                | -                   | -          | (254)   | 6,800               | 50%                           | 66,617             | None                                   |      |
| Helun Precision Co., Ltd.                          | 500                 | 4,993            | -                   | -                | -                   | -          | 26  | 500                 | 100%                          | 5,019              | None                                   |      |
| Hozuan Investment Company<br>Limited               | 25,221              | 261,624          | -                   | -                | -                   | -          | 14,110  | 25,221              | 100%                          | 275,734            | None                                   |      |
| HOTATECH, INC                                      | 530                 | 252,350          | -                   | -                | -                   | -          | 8,295   | 530                 | 100%                          | 260,645            | None                                   |      |
| HOTA USA INC.                                      | -                   | -                | 1,000               | 3,225            | -                   | -          | (2,199)   | 1,000               | 100%                          | 1,026              | None                                   |      |
| CAPTAIN HOLDINGS.,<br>LTD.                         | 10,603              | 196,281          | -                   | -                | -                   | -          | (13,137)  | 10,603              | 100%                          | 183,144            | None                                   |      |
| Subtotal   |                     | 874,682          |                     | 157,966          |                     | -          | 2,419   |                     |                               | 1,035,067          |  |      |
| Total  |                     | <u>\$935,875</u> |                     | <u>\$157,966</u> |                     | <u>\$-</u> | <u>\$3,772</u>  |                     |                               | <u>\$1,097,613</u> |  |      |
|  |                     |                  |                     | <u>6</u>         |                     |            |   |                     |                               |                    |  |      |

Note 1: Including shares of profit or loss and other comprehensive income of subsidiaries and associates accounted for using equity method, and cash dividends paid by investee companies, etc.

Hota Industrial Manufacturing Company

5.Statements of short-term borrowings

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Type of borrowing | Description                | Ending balance     | Contract period      | Interest rate interval | Credit line | Collateral or guarantee | Note |
|-------------------|----------------------------|--------------------|----------------------|------------------------|-------------|-------------------------|------|
| Unsecured loans   | TAIWAN BUSINESS BANK       | \$22,730           | 2023/10/11~2024/4/8  | 1.96%                  | \$22,730    | None                    |      |
| Unsecured loans   | TAIWAN BUSINESS BANK       | 3,247              | 2023/12/26~2024/6/23 | 1.96%                  | 3,247       | None                    |      |
| Unsecured loans   | First Commercial Bank      | 22,217             | 2023/10/11~2024/4/1  | 1.96%                  | 22,217      | None                    |      |
| Unsecured loans   | First Commercial Bank      | 10,000             | 2023/10/25~2024/1/23 | 1.75%                  | 10,000      | None                    |      |
| Unsecured loans   | First Commercial Bank      | 33,325             | 2023/11/17~2024/5/13 | 1.62%                  | 33,325      | None                    |      |
| Unsecured loans   | E.SUN BANK                 | 180,000            | 2023/12/13~2024/3/13 | 1.78%                  | 180,000     | None                    |      |
| Unsecured loans   | Hua Nan Commercial Bank    | 11,927             | 2023/8/1~2024/7/26   | 1.25%                  | 11,927      | None                    |      |
| Unsecured loans   | Hua Nan Commercial Bank    | 17,891             | 2023/11/15~2024/11/8 | 1.25%                  | 17,891      | None                    |      |
| Unsecured loans   | Mega Bank                  | 100,000            | 2023/10/30~2024/1/28 | 1.86%                  | 100,000     | None                    |      |
| Unsecured loans   | Bangkok Bank               | 150,000            | 2023/12/27~2024/1/26 | 1.79%                  | 150,000     | None                    |      |
| Unsecured loans   | Taishin International Bank | 100,000            | 2023/12/18~2024/2/18 | 1.89%                  | 100,000     | None                    |      |
| Unsecured loans   | Cathay United Bank         | 100,000            | 2023/9/28~2024/1/5   | 1.79%                  | 100,000     | None                    |      |
| Unsecured loans   | Yuanta Commercial Bank     | 100,000            | 2023/11/10~2024/2/7  | 1.79%                  | 100,000     | None                    |      |
| Unsecured loans   | Chang Hwa Commercial Bank  | 225,000            | 2023/7/25~2024/7/25  | 1.85%                  | 300,000     | None                    |      |
| Unsecured loans   | Chang Hwa Commercial Bank  | 250,000            | 2023/12/27~2024/6/24 | 1.82%                  | 250,000     | None                    |      |
| Unsecured loans   | CTBC Bank                  | 100,000            | 2023/10/13~2024/4/12 | 1.90%                  | 100,000     | None                    |      |
| Unsecured loans   | Shin Kong Bank             | 100,000            | 2023/11/28~2024/2/28 | 1.75%                  | 100,000     | None                    |      |
| Secured loans     | First Commercial Bank      | 120,000            | 2023/11/15~2024/1/23 | 1.75%                  | 120,000     | Land and plant          |      |
| Secured loans     | Hua Nan Commercial Bank    | 230,000            | 2023/12/15~2024/2/15 | 1.75%                  | 230,000     | Land and plant          |      |
| Net amount        |                            | <u>\$1,876,337</u> |                      |                        |             |                         |      |

Hota Industrial Manufacturing Company

6.Statements of notes payables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Name of supplier | Summary           | Amount           | Note |
|------------------|-------------------|------------------|------|
| Company A        | Payment for goods | <u>\$423,851</u> |      |

Hota Industrial Manufacturing Company

7.Statements of accounts payables

December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Name of supplier                      | Summary | Amount           | Note |
|---------------------------------------|---------|------------------|------|
| Non-related parties                   |         |                  |      |
| Company A                             |         | \$61,111         |      |
| Company B                             |         | 41,867           |      |
| Company C                             |         | 25,218           |      |
| Others (Note)                         |         | <u>315,653</u>   |      |
| Accounts payables-non-related parties |         | <u>\$443,849</u> |      |
| Related parties                       |         |                  |      |
| Howin Precision Company Limited       |         | 28,066           |      |
| Accounts payables, net                |         | <u>\$471,915</u> |      |

(Note) Suppliers with balances not exceeding 5% of the total account balance are presented combinedly.

Hota Industrial Manufacturing Company

8.Statements of other payables

December 31, 2023

Expressed in thousands of

New Taiwan Dollars

| Account   | Summary | Amount           |
|---|---------|------------------|
| Non-related parties                               |         |                  |
| Payroll and bonus payables                        |         | \$90,462         |
| Payables on equipment                             |         | 106,658          |
| Directors' and supervisors' remuneration payables |         | 2,947            |
| Others  |         | 258,740          |
| Other payables-non-related parties                |         | <u>\$458,807</u> |
| Related parties                                   |         |                  |
| KAO FONG MACHINERY CO., LTD.                      |         | 9,817            |
| HOWON POWERTRAIN CO., LTD.                        |         | 55               |
| Juda Intelligent Technology                       |         | 14,179           |
| Howin Precision Company Limited                   |         | 147              |
| Other payables-related parties                    |         | <u>\$24,198</u>  |
| Other payables, net                               |         | <u>\$483,005</u> |



Hota Industrial Manufacturing Company  
9.Statements of long-term borrowings (including current portion)  
December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Creditor                     | Summary                  | Loan amount | Contract period       | Interest rate | Collateral or guarantee | Note |
|------------------------------|--------------------------|-------------|-----------------------|---------------|-------------------------|------|
| Syndicated loan by<br>TAIWAN | Syndicated mortgage loan | \$1,900,000 | 2018/9/28~2026/3/24   | 2.257%        | Property, plant and     |      |
| First Commercial             | Mortgage loan            | 1,278,568   | 2017/11/28~2032/11/28 | 0.700%~2.050% | Property, plant and     |      |
| Hua Nan Commercial           | Mortgage loan            | 382,375     | 2019/12/13~2033/5/15  | 0.600%~1.725% | Equipment               |      |
| Taiwan Cooperative           | Mortgage loan            | 20,763      | 2019/2/1~2028/4/12    | 1.940%        | Equipment               |      |
| Land Bank of Taiwan          | Mortgage loan            | 222,412     | 2021/8/31~2029/9/2    | 1.903%        | Land                    |      |
| Chang Hwa                    | Mortgage loan            | 721,247     | 2016/3/25~2038/9/27   | 2.090%        | Land                    |      |
| The Shanghai                 | Mortgage loan            | 278,320     | 2019/5/30~2039/5/30   | 1.850%~1.880% | Land and equipment      |      |
| TAIWAN                       | Mortgage loan            | 820         | 2023/9/23~2030/9/23   | 1.795%        | Equipment               |      |
| First Commercial             | Unsecured loan           | 96,657      | 2019/5/28~2032/5/15   | 0.700%        |                         |      |
| Taiwan Cooperative           | Unsecured loan           | 110,714     | 2019/7/18~2026/7/18   | 0.600%        |                         |      |
| Yuanta Commercial            | Unsecured loan           | 665,252     | 2019/8/15~2029/9/2    | 1.400%~1.600% |                         |      |
| Mizuho Bank                  | Unsecured loan           | 300,000     | 2023/7/25~2026/7/25   | 1.830%        |                         |      |
| JihSun International         | Unsecured loan           | 500,000     | 2023/10/19~2024/1/19  | 1.970%        |                         |      |
| Agricultural Bank of         | Unsecured loan           | 200,000     | 2023/10/20~2024/4/17  | 1.914%        |                         |      |
| Mega Bank                    | Unsecured loan           | 300,000     | 2023/10/26~2024/10/26 | 1.795%        |                         |      |
|                              | Unsecured loan           | 2,500       | 2023/12/27~2030/12/27 | 1.950%        |                         |      |
|                              | Subtotal                 | \$6,979,628 |                       |               |                         |      |
|                              | Less: current portion    | (1,051,669) |                       |               |                         |      |
|                              | Less: discounts from     | (36,141)    |                       |               |                         |      |
|                              | Total                    | \$5,891,818 |                       |               |                         |      |

Hota Industrial Manufacturing Company

10.Statements of operating revenue

For the year ended December 31, 2023

Expressed in thousands of pieces; thousands of New Taiwan Dollars

| Item                           | Quantity | Amount             | Note |
|--------------------------------|----------|--------------------|------|
| Gear and shaft for motorcycles | 607      | \$661,011          |      |
| Gear and shaft for automobiles | 9,022    | 5,229,036          |      |
| Gear and shaft for others      | 874      | 206,821            |      |
| Operating revenue, net         |          | <u>\$6,096,868</u> |      |

Hota Industrial Manufacturing Company

11.Statements of operating costs

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Item   | Amount      | Note |
|--|-------------|------|
| I. Costs of self-produced goods sold           |             |      |
| Direct raw materials: beginning materials      | \$811,143   |      |
| Add: purchases of materials, net               | 1,446,980   |      |
| Others   | 1           |      |
| Less: raw materials sold                       | (13,948)    |      |
| Transferred to expenses                        | (5,140)     |      |
| Others   | (2,811)     |      |
| Ending raw materials                           | (561,615)   |      |
| Raw materials consumed                         | 1,674,610   |      |
| Direct labor                                   | 442,442     |      |
| Manufacturing expenses (Statement 12)          | 2,999,071   |      |
| Manufacturing costs                            | 5,116,123   |      |
| Add: beginning work in process                 | 1,291,142   |      |
| Purchase of materials                          | 35,395      |      |
| Transferred from finished goods                | 2,633,896   |      |
| Transfers in and out                           | 82          |      |
| Less; ending work in process                   | (1,152,268) |      |
| Semi-finished goods sold                       | (29,389)    |      |
| Others   | (48,799)    |      |
| Costs of work in process                       | 7,846,182   |      |
| Add: beginning work in process                 | 953,618     |      |
| Finished goods purchased                       | (2,358)     |      |
| Less: transferred to manufacturing costs       | (2,633,896) |      |
| Transferred to fixed assets                    | (28,404)    |      |
| Transferred to expenses                        | (14,397)    |      |
| Others   | (57,576)    |      |
| Ending finished goods                          | (996,837)   |      |
| Costs of self-produced goods sold              | 5,066,332   |      |
| II. Raw materials and semi-finished goods sold | 55,004      |      |
| III. Losses on inventory valuation             | 6,500       |      |
| IV. Scraps                                     | 1,622       |      |
| V. Revenue from sales of tailings              | (83,552)    |      |
| Total operating costs                          | \$5,045,906 |      |

Hota Industrial Manufacturing Company

12.Statements of manufacturing expenses

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Item                                | Amount             | Note |
|-------------------------------------|--------------------|------|
| Processing costs                    | \$1,286,672        |      |
| Depreciation                        | 632,648            |      |
| Water, electricity and gas expenses | 277,980            |      |
| Payroll expenses                    | 158,881            |      |
| Other expenses (Note)               | 642,890            |      |
| Total                               | <u>\$2,999,071</u> |      |

Note: the balance of each item does not exceed 5% of total amount of the account balance.

Hota Industrial Manufacturing Company

13.Statements of operating expenses

For the year ended December 31, 2023

Expressed in thousands of New Taiwan Dollars

| Item                                | Sales and marketing expenses | General and administrative expenses | Research and development expenses | Expected credit impairment losses | Total            | Note |
|-------------------------------------|------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|------------------|------|
| Payroll expenses                    | \$30,209                     | \$44,234                            | \$45,328                          | \$—                               | \$119,771        |      |
| Freight                             | 176,297                      | —                                   | 18                                | —                                 | 176,315          |      |
| Water, electricity and gas expenses | 5,665                        | 4,501                               | 8,248                             | —                                 | 18,414           |      |
| Insurance expenses                  | 6,012                        | 2,811                               | 5,769                             | —                                 | 14,592           |      |
| Depreciation                        | 2,556                        | 8,376                               | 12,925                            | —                                 | 23,857           |      |
| Commission expenses                 | 42,179                       | —                                   | —                                 | —                                 | 42,179           |      |
| Importing and exporting expenses    | 44,351                       | —                                   | —                                 | —                                 | 44,351           |      |
| Expected credit impairment losses   | —                            | —                                   | —                                 | 24,000                            | 24,000           |      |
| Others (Note)                       | 99,264                       | 25,910                              | 26,760                            | —                                 | 151,934          |      |
| Total                               | <u>\$406,533</u>             | <u>\$85,832</u>                     | <u>\$99,048</u>                   | <u>\$24,000</u>                   | <u>\$615,413</u> |      |

Note: the balance of each item does not exceed 5% of total amount of the account balance.

**(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   | 2023       | 2022       | Difference  |      |
|---|------------|------------|-------------|------|
|   |            |            | Amount      | %    |
| Liquid Assets   | 7,150,172  | 8,229,141  | (1,078,969) | (13) |
| Long-Term Investments   | 446,506    | 363,911    | 82,595      | 23   |
| Property, Plant and Equipment   | 14,044,490 | 13,759,127 | 285,363     | 2    |
| Other Assets  | 686,103    | 574,132    | 111,971     | 20   |
| Total Assets  | 22,327,271 | 22,926,311 | (599,040)   | (3)  |
| Liquid Liabilities  | 6,251,528  | 6,763,659  | (512,131)   | (8)  |
| Non-Liquid Liabilities  | 7,233,867  | 7,186,992  | 46,875      | 1    |
| Total Liabilities   | 13,485,395 | 13,950,651 | (465,256)   | (3)  |
| Stock Capital   | 2,795,175  | 2,795,175  | 0           | 0    |
| Capital Surplus   | 3,833,804  | 3,833,804  | 0           | 0    |
| Retained Earnings   | 2,207,101  | 2,315,845  | (108,744)   | (5)  |
| Other Equities  | (112,607)  | (95,158)   | (17,449)    | 18   |
| Equity Attributable to Owners of the Parent   | 8,723,473  | 8,849,666  | (126,193)   | (1)  |
| Non-Controlling Interests   | 118,403    | 125,994    | (7,591)     | (6)  |
| Total Shareholders' Equity  | 8,841,876  | 8,975,660  | (133,784)   | (1)  |
| 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. |            |            |             |      |
| Long-term investment: Mainly due to profits from investment companies.  |            |            |             |      |
| Other assets: Mainly due to the increase in long-term deferred expenses of the sub-company.   |            |            |             |      |

**(II) Financial Performance**

Unit: NTD Thousands

| Item \ Year   | 2023        | 2022        | Increase<br>(Decrease)<br>Amount | Change<br>Proportion (%) |
|---|-------------|-------------|----------------------------------|--------------------------|
| Operating Revenue   | 6,599,230   | 7,339,165   | (739,935)                        | (10)                     |
| Operating Cost  | (5,458,129) | (5,643,604) | (185,475)                        | (3)                      |
| Operating Margin  | 1,141,101   | 1,695,561   | (554,460)                        | (33)                     |
| Operating Expense   | (725,510)   | (1,156,625) | (431,115)                        | 37                       |
| Operating Profit  | 415,591     | 538,936     | (123,345)                        | (23)                     |
| Non-Operating Income<br>and Expense   | (52,991)    | 229,562     | (282,553)                        | (123)                    |
| Income before Tax   | 362,600     | 768,498     | (405,898)                        | (53)                     |
| Income Tax Expense  | (37,937)    | (139,425)   | (101,488)                        | (73)                     |
| Current Net Profit  | 324,663     | 629,073     | (304,410)                        | (48)                     |
| Net Profit Attributable<br>to Owners of the<br>Parent   | 327,211     | 623,958     | (296,747)                        | (48)                     |
| Net Profit Attributable<br>to Non-Controlling<br>Interests  | (2,548)     | 5,115       | (7,663)                          | (150)                    |
| Where the increase or decrease ratio reaches 20% or more, such increase/decrease shall be analyzed as follows:<br>Operating gross profit: Mainly due to the decrease in sales revenue and the increase in sales costs, the gross profit decreased.<br>Operating expenses: Mainly due to the decrease in sales revenue and related sales expenses (freight, etc.).<br>Non-operating income and expenses: Mainly due to the decrease in foreign currency exchange benefits. |             |             |                                  |                          |

**(III) Cash Flow**

## 1. Analysis on Liquidity of the Most Recent Fiscal Year

| Item \ Year                     | 2023  | 2022  | Increase<br>(Decrease)<br>Proportion (%) |
|---------------------------------|-------|-------|--|
| Cash Flow Ratio (%)             | 13.63 | 0     | 100                                      |
| Cash Flow Sufficiency ratio (%) | 21.70 | 24.62 | (11.86)                                  |
| Cash Re-Investment Rate (%)     | 1.91  | -1.88 | (201.60)                                 |

## 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 |
| 784,936                    | 694,186   | 821,758                               | 657,364  | —  | —               |

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.
- 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                 | 444,930                                      | 467,358 | 370,712 |

### 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 | 2024              | Gears and Transmission Components | 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**

| Item \ Descriptions                          | Investment Amount | Policy                | Main Reason for Profit (Loss)                             | Rectification Plan  | Other Future Investment Plans |
|--|-------------------|-----------------------|---|---|-------------------------------|
| HOWON POWERTRAIN CO., LTD.                   | 503,562           | Long-Term Investments | Reason for Loss: Decrease in orders                       | Increase in Orders and Enhancement in Competitiveness         | Depending on operation status |
| Ho-Zuan Investment Co., Ltd.                 | 167,190           | Long-Term Investments | Reason for Profit: investment profit                      | None  |                               |
| CAPTAIN HOLDING CO., LTD                     | 326,073           | Long-Term Investments | Reason for Loss: Loss from Investment in Funds            | Reinforced Attention to International Exchange Market Changes |                               |
| HOTATECH, INC.                               | 173,638           | Long-Term Investments | Reason for Profit: order increase.                        | None  |                               |
| HOTA USA INC                                 | 3,225             | Long-Term Investments | Reason for Loss: Expenses                                 | Saving on Unnecessary Expenditure                             |                               |
| HOWIN PRECISION CO., LTD.                    | 41,450            | Long-Term Investments | Reason for Loss: Decrease in orders                       | Increase in Orders and Enhancement in Competitiveness         |                               |
| Ju-Da Smart Technology Co., Ltd.             | 159,741           | Long-Term Investments | Reason for Profit: interest income                        | 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 Profit: Interest income                        | None  |                               |
| Hota Industries, LLC                         | 1,120             | Long-Term Investments | Reason for Loss: Factory setup expenses                   | None  |                               |
| Kao Fong Machinery Co., Ltd.                 | 199,218           | Long-Term Investments | Reason for Profit: Stable growth in orders                | None  |                               |
| TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | 12,500            | Long-Term Investments | None  | Impairment Loss Recognized                                    |                               |
| TAKAWA SEIKI, INC.                           | 3,607             | Long-Term Investments | Reason for Profit: order increase.                        | None  |                               |
| Ling-Wei Co., Ltd.                           | 36,338            | Long-Term Investments | Reason for Profit: Stable growth in orders                | None  |                               |

**(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.

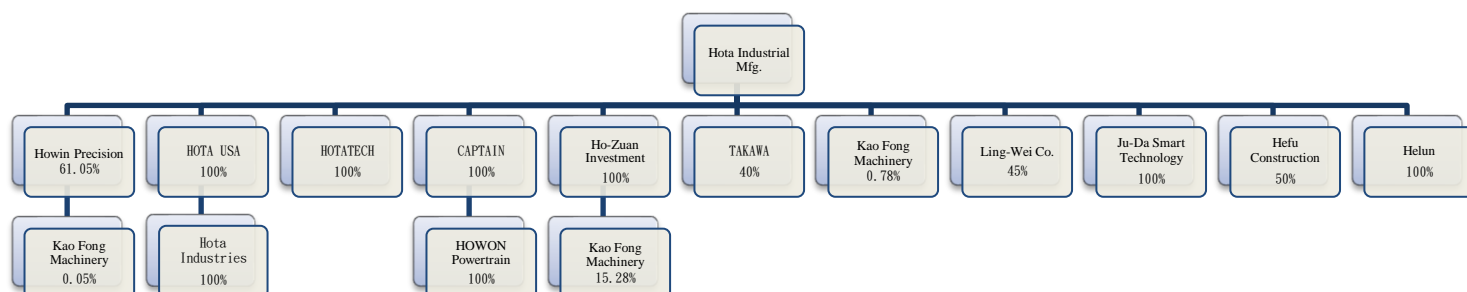
9. The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response: No such occurrence in the Company.
10. Effect upon and risk to the company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 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 2023, organization structure of affiliates



Note: The shareholding ratio to Kao Fong Machinery Co., Ltd. by the Company is 16.11%.

### (2) Information of Subsidiaries and Affiliates

| Affiliated Company                | Location   | Main business   | Relations with the Company |
|-----------------------------------|------------|---|----------------------------|
| Hozuan Investment Company Limited | Taiwan     | Investment activities   | Subsidiary of the Company  |
| CAPTAIN HOLDING CO.,LTD.          | Seychelles | Holding company   | Subsidiary of the Company  |
| HOTATECH, INC.                    | USA        | Sales of various precision gears and shafts of automobiles  | Subsidiary of the Company  |
| HOTA USA INC.                     | USA        | Holding company   | Subsidiary of 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 | Subsidiary of the Company  |
| Juda Intelligent Technology       | Taiwan     | Manufacturing and sales of various of precision gears for automobiles and motorbikes  | Subsidiary of the Company  |
| Hefu Construction Co., Ltd        | Taiwan     | Construction and investment development of residences, apartments and mixed residential office buildings  | Subsidiary of the Company  |
| Helun Precision Co., Ltd.         | Taiwan     | Manufacturing and sell various of precision gears for automobiles and motorbikes  | Subsidiary of the Company  |
| Hota Industries, LLC              | USA        | Manufacturing and sell various of precision gears for automobiles   | Subsidiary of the Company  |

|  |        |   |  |
|--|--------|---|--|
| KAO FONG<br>MACHINERY CO., LTD.                    | Taiwan | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | Investee accounted for using equity method |
| TAIWAN PYROLYSIS &<br>ENERGY<br>REGENERATION CORP. | Taiwan | Removal, storage and treatment of general and hazardous industrial waste  | Investee accounted for using equity method |
| TAKAWA SEIKI, INC.                                 | USA    | Machinery traders and agents  | Investee accounted for using equity method |
| LING WEI CO., LTD                                  | Taiwan | Hardware wholesale industry   | Investee accounted for using equity method |

(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<br>Proportion |
|---------------------------------|--------------|--------------|--------------|------------|----------------------------|
| December 31, 2023               |              |              |              |            |                            |
| Kao Fong<br>Machinery Co., Ltd. | \$ 4,337,155 | \$ 2,478,733 | \$ 1,609,704 | \$ 104,367 | 16.11%                     |
| Ling-Wei Co., Ltd.              | 104,367      | 34,292       | 83,069       | 6,905      | 45.00%                     |
| TAKAWA<br>SEIKI, INC.           | 6,905        | —            | —            | 73         | 40.00%                     |

B. Statements for Portions of Associates and Joint Venture Income Recognized under Equity Method is as follows:

| Income from Investments      |                  |                 |
|------------------------------|------------------|-----------------|
| Invested Companies           | 2023             | 2022            |
| Kao Fong Machinery Co., Ltd. | \$ 16,804        | \$ 7,651        |
| Ling-Wei Co., Ltd.           | 2,612            | 2,965           |
| TAKAWA SEIKI, INC.           | 907              | ( 2,780 )       |
|                              | <u>\$ 20,323</u> | <u>\$ 7,836</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.<br>Representative: Lin, Yen-Huey          |
|                              | Director             | Ho-Zuan Investment Co., Ltd.<br>Representative: Sheng, Kuo-Jung        |
|                              | Director             | Hao Qing Investment Ltd.<br>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.<br>Representative: Tseng, Shu-Mei  |
|                              | Director             | Yung-Chin Develop Forging CO., LTD.<br>Representative: Chien, Yi-Sheng |
|                              | Director             | Hota Industrial Mfg. Co., Ltd.<br>Representative: Chen, Chun-Chih      |
|                              | Supervisor           | Lin, Yen-Huey  |

|                    |            |   |
|--------------------|------------|---|
|                    | Supervisor | Fang, Rui-Rong  |
| TAKAWA SEIKI, INC. | Chairman   | Hota Industrial Mfg. Co., Ltd.<br>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 88~163.

**(II) Private Securities of Most Recent Year, up to the Date this Report is Published: No such occurrence in the Company.**

**(III) Holding or Disposition of the Shares by the Company Subsidiaries in the Most Recent Year, up to the Date this Report is Published: 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, 2024