

# HOTRON PRECISION ELECTRONIC INDUSTRIAL CO., LTD.

## 2023 Annual Meeting of Shareholders Meeting Minutes

(Translation)

Time: 9:00 a.m. on May 30 (Tuesday), 2023

Place: 8F, No. 99, Sec. 6, Minguan E. Rd., Neihu Dist., Taipei City  
(Neihu. District Office Auditorium)

Number of shares present: The total number of shares represented by present shareholders and proxies was 55,983,276 (including 1,345,930 shares attended electronic voting), accounting for 54.23% of the Company's 103,220,991 issued and outstanding shares.

Board Members Present: Chang, Li-Jung(Chairman) 、 Lu, I- Hsuan(Director) 、 Chen, Tai-Chung(Director) 、 Hsu, Ting-Jung(Director) 、 Hsieh, I-Ta(Independent Director) 、 Chu, Yann-Fang(Independent Director) 、 Chou, Che-Yi (Independent Director), all 7 members of the Board of Directors(including 3 Independent Directors) are present.

Attendance: Ms. Chou, Pao-Lin (Director of PwC Taiwan) 、  
Ms. Wang, Tong-Ying (Manager of PwC Taiwan).

Chairman: Chang, Li-Jung (Chairman of the Board of Directors )

Recorder : Wu, Hui-Min

### **The Chairman called the Meeting to Order.**

Report on number of shares present. The aggregate shareholding of the shareholders and proxies present constituted a quorum.

**Chairperson Remarks** (omitted)

### **Matters to Report**

1. 2022 Business Report (Please refer to Annex 1)
2. 2022 Audit Committee's Review Report (Please refer to Annex 2)
3. 2022 The distribution of employees' compensation and directors' profit-sharing compensation.
  - (1)The distribution of employees' compensation and directors' profit-sharing compensation for 2022 was in accordance with Article 20 of the Company's Articles of Incorporation.
  - (2)In accordance with the Company's Articles of Incorporation and the resolution of the board of directors' meeting held on February 24, 2023, to set aside approximately 3% of employees' compensation in the amount of NT\$2,606,713 and 3% of directors' profit-sharing compensation in the amount of NT\$2,606,713, all of which were paid in the form of cash.

#### 4. 2022 The remuneration received by directors

(1) The Company's remuneration policy, standards, and structure paid to the ordinary directors and independent directors, and the procedure for determining remuneration.

##### 1). Paying remuneration policy, standards, and structure

The Company's policy and evaluation of remuneration are based on the law, Article 13-2 and Article 20 of the Company's Articles of Incorporation, the "Remuneration Committee Charter" and the "Regulations Governing the Payment of the Remuneration to the Director". The remuneration paid to directors and independent directors is determined by the Company in two categories: directors' compensation and director profit-sharing compensation.

**A.** Directors' compensation, i.e., the compensation for the execution of business by directors, shall be determined in accordance with Article 13-2 of the Company's Articles of Incorporation, based on the evaluation by the Remuneration Committee, the Company's "Regulations Governing the Payment of the Remuneration to the Director", taking into account the extent of each director's participation in the Company's operations, their individual contribution (including their responsibilities, risks, time commitment, etc.), as well as taking into account the remuneration standards in the same industry, and considering the overall operational performance and taking into account external market factors. Reasonable remuneration is approved by the Remuneration Committee and the Board of Directors after regular review. The relevant performance evaluation and the reasonableness of compensation are reviewed by the Remuneration Committee and the Board of Directors, and the remuneration system is reviewed from time to time in accordance with the actual operating conditions and relevant laws and regulations in order to strike a balance between sustainable operation and risk control of the Company.

**B.** Director profit-sharing compensation, in accordance with Article 20 of the Company's Articles of Incorporation, if the Company makes a profit in a year, it shall set aside not more than 3% of the annual profit as directors' compensation for that year.

##### 2). Procedure for determining remuneration

To enhance corporate governance and ensure a sound remuneration system for our directors and independent directors, the Company has established a Remuneration Committee in accordance with Article 14-6 of the Securities and Exchange Act and the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". The members of this committee are professional and independent, and are in a professional and objective position to evaluate the remuneration policies and systems of our directors and independent directors and make recommendations to the Board of Directors for reference in decision-making.

- (2) The remuneration received by the Company's directors, individual remuneration package, amount, and association with outcomes of performance reviews, please refer to Annex 3.

#### 5. 2022 Cash Dividend Payment

- (1) The Company's 2022 cash dividends will be paid in accordance with Article 20 of the Company's Articles of Incorporation.
- (2) In accordance with the Company's Articles of Incorporation and a special resolution of the Board of Directors on April 17, 2023, the Company shall distribute cash dividends of NT\$51,610,496 to shareholders in the amount of NT\$0.50 per share, calculated up to the NT\$1 (rounded down to the nearest NT\$1), and its fractional balance of all dividends less than NT\$1 will be summed into the Company's other income, and the Chairman of the Board of Directors is hereby authorized to set the record date, the cash dividend payment date, and the related matters of dividend distribution.
- (3) If the number of outstanding shares is adjusted as a result of the change in the capital stock, and subsequently the amount distributed to shareholders per share is changed, the chairman is authorized to make further adjustments in the ratio of the number of outstanding shares on the record date for dividend distribution.

#### 6. The 1st domestic secured convertible corporate bonds

The Company issued its first domestic secured convertible bonds to repay bank loans. The issuance was authorized by the Financial Supervisory Commission (FSC) issued no.: 1090353275 on August 26, 2020, and approved by the Taipei Exchange (TPEX) with letter No. 10900111101 on September 17, 2020, the total issuance amount was NT\$500 million, and began trading on the Taipei Exchange from September 21, 2020. Please refer to the table below for the issuance status as of March 31, 2023.

Corporate bond type	1st domestic secured convertible corporate bond
Issuing date	September 21, 2020
Face value	NT\$100,000
Place of issuance and trading	R.O.C
Issuing price	Issued at 102% of face value
Total Amount	NT\$ 500,000,000
Interest rate	0%
Duration	Three years; maturity date: September 21, 2023
Assurance agency	Hua Nan Commercial Bank, Ltd.
Trustee	CTBC Bank Co., Ltd.
Underwriter	First Securities Incorporation
Repayment method	Except for the conversion of the convertible bonds into the Company's common stock in accordance with Article 10 of this Rules, or the early redemption by the Company in accordance with Article 18 of this Rules, or the exercise of the right of repurchase in accordance with Article 19 of this Rules, or the purchase and cancellation by the Company from the securities dealer's office, the Company shall repay the bonds in cash at face value upon maturity.

As of the date of publication of the annual report, outstanding principal amount		NT\$ 8,200,000
Terms of redemption or early repayment Restrictions		Please refer to this conversion bond prospectus.
Other rights	As of the date of publication of the annual report, the amount of conversion (exchange or subscription) common stock, overseas depository receipts or other securities	0
	Issuing and conversion (exchange or subscription) method	Please refer to this conversion bond prospectus.
Possible impact of the issuance and conversion (or exchange or subscription) method or issuing conditions on the dilution of equity and existing shareholders' rights		The total amount of convertible bonds issued is NT\$500,000 thousand. Since the bonds have a three-year maturity period, the timing of conversion requests by creditors varies, which will delay the result of earnings per share and will not have a significant impact on the shareholders' equity. Since the bond's coupon rate is 0% and the conversion price is at a premium, there should be no negative impact on shareholders' equity.
Implementation of the capital allocation plans		Completed in the third quarter of 2020

#### 7. Amendment to the "Rules of Procedure for Board of Directors Meetings"

- (1) In accordance with the Financial Supervisory Commission (FSC) issued no.: 1110383263 on August 5, 2022, to amend the "Rules of Procedure for Board of Directors Meetings" of the Company.
- (2) "Rules of Procedure for Board of Directors Meetings" Comparison table of amended articles, please refer to page 24 of the handbook for the 2023 Annual Meeting of Shareholders [Annex 2].
- (3) The pre-amendment "Rules of Procedure for Board of Directors Meetings", please refer to page 65 of the handbook for the 2023 Annual Meeting of Shareholders [Appendix 3].

#### Matters for Proposal

##### Item 1

(Proposed by the Board of Directors)

Motion: 2022 Business Report and Financial Statements. Proposed for approval.

Descriptions:

1. The Company's Parent Company Only Financial Statements and Consolidated Financial Statements, which have been audited by CPAs WU, HAN-CHI and LIN, YA-HUI of PwC Taiwan, and an audit report has been issued, together with the Business Report have been reviewed by the Audit Committee.
2. For the Independent Auditors' Report, Parent Company Only Financial Statements and Consolidated Financial Statements, please refer to Annex 4-5.

Resolution:

The number of voting rights of shareholders present at the time of voting: 55,983,276 Rights.

Voting Results (Including Electronic Voting)		Percentage of voting rights of shareholders present at the time of voting
approval votes	55,735,980	99.55%
disapproval votes	51,232	0.09%
invalid votes	0	0.00%
abstention votes/no votes	196,064	0.35%

Proposal was approved after voting.

**Item 2**

(Proposed by the Board of Directors)

Motion: Distribution of earnings for 2022, proposed for approval.

Descriptions:

The Company's net profit after tax for 2022 was NT\$65,745,751, and a proposal for distribution of earnings for 2022 has been prepared in accordance with the Company's Articles of Incorporation for approval.

Hotron Precision Electronic Industrial Co., Ltd.  
2022 Earnings Distribution Table

Unit: NT\$

Items	Amount
Undistributed retained earnings, beginning of the period	169,860,419
Add: net profit after tax-2022	65,745,751
Add: Actuarial gain or loss adjustment - 2022	654,054
Distributable net profit	236,260,224
Less: 10% legal reserve	(6,639,981)
Add: Reversal of special reserve	32,211,917
Distributable net profit for the period	261,832,160
Distributable items:	
Stock dividends to shareholders - stock dividends NT\$0.3	(30,966,300)
Stock dividend to shareholders - cash dividends NT\$0.5	(51,610,496)
Unappropriated retained earnings, end of the period	179,255,364

Chairman: CHANG, LI-JUNG General Manager: LU, I-HSUAN Finance Supervisor: HSU, KUO-HUANG

Resolution:

The number of voting rights of shareholders present at the time of voting: 55,983,276 Rights.

Voting Results (Including Electronic Voting)		Percentage of voting rights of shareholders present at the time of voting
approval votes	55,733,950	99.55%
disapproval votes	53,302	0.09%
invalid votes	0	0.00%
abstention votes/no votes	196,024	0.35%

Proposal was approved after voting.

## Matters for Discussion

(Proposed by the Board of Directors)

Motion: Issuance of new shares from earnings of 2022. Proposed for discussion.

Descriptions:

1. In order to accommodate the expansion of operations, the Company intends to issue new shares in the amount of NT\$30,966,300 by capitalizing retained earnings, which will be divided into 3,096,630 shares, all of which will be issued as new shares by capitalizing shareholders' dividends.
2. The capitalization of the earnings is allocated in accordance with the shareholding ratio of shareholders as stated in the register of shareholders on the record date of capitalization. 30 bonus shares will be allotted for every thousand shares. Shareholders can request to consolidate fractional shares with the Company's shareholder service agent within the period of five days from the share transfer suspension date. The fractional shares shall be converted to cash at the face value of the shares and calculated up to NT\$ 1(rounded down to the nearest NT\$ 1), and authorize the chairman of the board of directors to solicit specified persons to subscribe at par value.
3. The shareholder rights and obligations of these newly issued shares are the same as existing ordinary shares.
4. Upon the resolution of the shareholders' meeting and the approval of the competent authority, the board of directors is authorized to set another record date for the capital increase and allotment of shares, the payment date and other related matters.
5. If the number of outstanding shares is subsequently affected by a change in the Company's capital stock, resulting in a change in the shareholders' allotment rate, it is proposed the Board of Directors shall be authorized by the shareholders' meeting to make any such adjustment at its sole discretion.
6. If the proposed capital increase has been approved by the competent authorities and is necessary to be changed or amended in accordance with the objective circumstances, the Board of Directors shall be authorized by the shareholders' meeting. The Board of Directors shall be authorized by the shareholders' meeting to handle all matters relating to the proposal.
7. Propose for discussion.

Resolution:

The number of voting rights of shareholders present at the time of voting: 55,983,276 Rights.

Voting Results (Including Electronic Voting)		Percentage of voting rights of shareholders present at the time of voting
approval votes	55,818,546	99.70%
disapproval votes	59,742	0.10%
invalid votes	0	0.00%
abstention votes/no votes	104,970	0.18%

Proposal was approved after voting.

## Matters for Election

(Proposed by the Board of Directors)

Motion: Election of the 10th Director (including Independent Directors)

Descriptions:

1. The term of office of the 9th director of the Company will terminate on June 4, 2023 and it is proposed to be fully re-elected prior to the 2023 Annual General Meeting of Shareholders.
2. It is proposed that seven director seats (including three independent director seats) will be elected, and the entire newly elected independent directors will compose the Audit Committee.
3. The 10th director shall be elected for a term of three years and shall be eligible for re-election, from May 30, 2023 to May 29, 2026, the date of election by the Shareholders' Meeting.
4. In accordance with the Company's Articles of Incorporation, the election of directors (including independent directors) is adopted by the candidate nomination system. The list of candidates for the current term of directors (including independent directors) was reviewed and approved by the Company's Board of Directors on April 17, 2023. the list of candidates nominated for directors (including independent directors) is as follows:

Category	Name	Shareholding	Educational Background and Experience
Director	Gao Peng Co., Ltd. Representative: CHANG, LI-JUNG	8,494,978 shares	Division of Mechanical Engineering, Wufeng Industrial College Chairman of the Company Researcher, Silicon Center of Semiconductor Research Laboratory, Tatung Institute of Technology Head of External Section Group, Hung Hai Precision Industry Co., Ltd.
Director	LU, I-HSUAN	70,831 shares	Master, Department of Business Administration, National Chengchi University Director of the Company General Manager of the Company Vice President, Management Department of Askey Computer Corp. Chief Financial Officer, Finance Center of TAINET Communication System Corp. General Manager, Hong Xuan Information Co., Ltd.
Director	CHEN, SHUH	0 share	Ph.D., Graduate School of Business Administration, National Taiwan University Passed the R.O.C. Examination Yuan Qualification Screening Examination for Certified Public Accountants (1986 Taiwan Exam No. 866) Passed the R.O.C. Examination Yuan Qualification for Accountant of higher examination (1983 Professional Exam No. 94) Chairman, Zhong Dao Association of Leadership &

Category	Name	Shareholding	Educational Background and Experience
			<p>Culture</p> <p>Chairperson, Financial Supervisory Commission, Executive Yuan</p> <p>Chairman, Taiwan Stock Exchange Corporation</p> <p>Chairman, Taipei Exchange</p> <p>Chairman and President, Taiwan Academy of Banking and Finance</p> <p>Administrative Deputy Minister, Ministry of Finance</p> <p>Chairperson, Securities and Futures Commission, Executive Yuan</p> <p>Honorary Chair Professor, Chung Yuan University</p> <p>Full-time Chair Professor, Chinese Culture University</p>
Director	CHEN, TAI-CHUNG	0 shares	<p>Graduated from An-Nan National School, Dongshi Township, Yunlin County</p> <p>President, Xiang-Yang Land Development Co., Ltd.</p> <p>President, Feng Dien Development &amp; Construction Co., Ltd.</p>
Independent Director	HSIEH, I-TA	0 shares	<p>Department of Law, College of Law and Business at National Chung Hsing University</p> <p>Director and Practicing Lawyer, Yi-Cheng Law Firm</p> <p>Officer, Taipei City Construction Management Office</p>
Independent Director	CHU, YANN-FANG	0 shares	<p>Ph.D., Graduate School of Business Administration, National Taiwan University</p> <p>Project Management Professional (PMP), Project Management Institute (PMI)</p> <p>Adjunct Associate Professor, Shih Chien University</p> <p>Adjunct Associate Professor, Soochow University</p> <p>The 5<sup>th</sup>, 6<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup> director, National Project Management Association of China</p>
Independent Director	CHOU, CHE-YI	0 shares	<p>Master, Department of Accounting, Business Administration at National Taipei University</p> <p>Certified Public Accountant, Cheng Sing CPA Firm</p> <p>Financial Assistant, ABICO AVY Co., Ltd.</p> <p>Assurance Associate, PwC Taiwan</p> <p>Independent Director, Nan Yang Dyeing &amp; Finishing Co., Ltd.</p>

5. The qualifications and independence of the independent director nominees have been reviewed by the officer in charge of corporate governance and are in compliance with the relevant laws and regulations.

6. In accordance with the "Procedures for Election of Directors" of the Company, we hereby propose for election.

Resolution:

After the election results of this case, the list of elected directors (including independent directors) is as follows:



The 10th Director (including independent directors) elected list

Category	Number	Name	The number of voting rights
Director	29	Gao Peng Co., Ltd Representative: CHANG, LI-JUNG	70,051,688
Director	225	LU, I-HSUAN	59,558,888
Director	P10198****	CHEN, SHUH	55,002,686
Director	P10199****	CHEN, TAI-CHUNG	52,352,788
Independent Director	Q12065****	HSIEH, I-TA	50,202,716
Independent Director	G10181****	CHU, YANN-FANG	50,132,670
Independent Director	C12084****	CHOU, CHE-YI	50,066,057

**Other Matters**

(Proposed by the Board of Directors)

Motion: Release the Newly-Elected Directors and its representative from Non-Competition Restrictions. Propose for discussion.

Descriptions:

1. In accordance with Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. In order to meet the actual business needs and without prejudice to the interests of the Company, it is proposed that the 2023 shareholders' meeting agree to release the newly-elected directors and its representative from non-competition restrictions under Article 209 of the Company Act in order to facilitate business development.
3. Propose for discussion.

Resolution:

The number of voting rights of shareholders present at the time of voting: 55,983,276 Rights.

Voting Results (Including Electronic Voting)		Percentage of voting rights of shareholders present at the time of voting
approval votes	55,583,171	99.28%
disapproval votes	178,785	0.31%
invalid votes	0	0.00%
abstention votes/no votes	221,320	0.39%

Proposal was approved after voting.

**Extemporary Motions**

There being no other special motion.

**Meeting Adjournment**

9:30 a.m., on the May 30 (Tuesday), 2023

There were no questions from shareholders at this 2023 Annual Meeting of Shareholders.

## Business Report

Dear Shareholders,

Welcome to the 2023 annual general meeting of shareholders.

According to a research report by the Taiwan Institute of Economic Research, last year (2022) due to the outbreak of armed conflict in Russia and Ukraine, resulting in a surge in global energy and raw material prices, and China also due to the outbreak of epidemics, which led to the adoption of strict control measures, resulting in the global supply chain suffered another blow; in addition, Europe and the U.S. as inflation continues to rise, the U.S. Federal Reserve in order to curb inflation, rising interest rates rapidly since March, and since the second half of the year to reduce bond purchases, resulting in increased volatility in global financial markets, non-USD currencies mostly have seen significant depreciation, also led to a surge in imported inflationary pressure in many countries. Looking ahead to 2023, as major economies have been raising interest rates since 2022 to curb inflation, manufacturing activity in various countries has slowed down significantly, coupled with the unresolved war between Russia and Ukraine and the resurgence of the U.S.-China technology war and other variables continue to deepen doubts about the global economic outlook, major international forecasters all believe that global economic and trade growth will slow down in 2023 compared to 2022.

Hotron Group's consolidated revenue for last year (2022) was NT\$3,362 million, although it was 12% growth compared to the previous year (2021), when the revenue was NT\$3,007 million., it was still affected by the war in Russia, the epidemic, the exchange rate, the interest rate hike and the increase in raw material prices, which led to the increase in costs and expenses. Although the net income for the year was NT\$65,746 thousand, an 190% growth compared to NT\$22,676 thousand in the previous year (2021), and the after-tax earnings per share was NT\$0.71, the profit was still not satisfactory. Despite the profit was not as expected, however, Hotron Group has entered the stage of industrial upgrading and corporate transformation, and is optimistic about the future development.

Hotron Group has already taken the leading position in the market share of the existing cable products. However, in order to maintain the corporate advantages and enhance the competitiveness of the industry, Hotron Group still continues to actively carry out product upgrades and industrial transformation. In addition to the upgrade of existing products and the development of more advanced cable products with faster transmission speed, the charging gun products for electric vehicles have been steadily shipped, and we have planned to continue to develop the charging equipment products and extend the depth and breadth of electric vehicle products in order to establish a firm foothold in the electric vehicle industry in the shortest possible time. Furthermore, the new factories in Vietnam and Hubei have been put into production, which not only enable us to serve customers and supply goods locally, but also increase our production capacity, which will help increase our revenue sources and profitability.

I would like to wish all shareholders, ladies and gentlemen

Good health! All the best!

Chairman: CHANG, LI-JUNG    General Manager: LU, I-HSUAN  
Finance Supervisor: HSU, KUO-HUANG

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 Business Report, Parent Company Only Financial Statements and Consolidated Financial Statements, which have been audited by CPAs WU, HAN-CHI and LIN, YA-HUI of PwC Taiwan, and have been reviewed by the Audit Committee and have considered that there are no discrepancies, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To  
Hotron Precision Electronic Industrial Co., Ltd.  
2023 Annual General Shareholders' Meeting

Audit Committee Convener: CHOU, CHE-YI

February 24, 2023

## Audit Committee's Review Report

The Board of Directors has prepared the proposal for the Company's distribution of earnings for 2022, which have been reviewed by the Audit Committee and have considered that there are no discrepancies, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To  
Hotron Precision Electronic Industrial Co., Ltd.  
2023 Annual General Shareholders' Meeting

Audit Committee Convener: CHOU, CHE-YI

April 17, 2023

## Report on the remuneration received by directors in 2022

Unit: NT\$ thousand

Job title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income (Note 7)		Remuneration received by directors for concurrent service as an employee								Sum of A+B+C+D+E+F+G and ratio to net income (Note 7)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 8)
		Base compensation (A) (Note 1)		Retirement pay and pension (B)		Director profit-sharing compensation (C) (Note 2)		Expenses and perquisites (D) (Note 3)				Salary, rewards, and special disbursements (E) (Note 4)		Retirement pay and pension (F)		Employee profit-sharing compensation (G)(Note 5)						
		The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	All consolidated entities (Note 6)	The Company	Amount in cash	Amount in stock	Amount in cash	Amount in stock	The Company	
Chairman	CHANG, LI-JUNG	5,980	5,980	0	0	375	375	18	18	9.69%	9.69%	0	0	0	0	0	0	0	0	9.69%	9.69%	None
Director	LU, I-HSUAN	0	0	0	0	375	375	18	18	0.60%	0.60%	2,507	2,507	108	108	93	0	93	0	4.72%	4.72%	None
Director	HSU, TING-JUNG	0	0	0	0	375	375	18	18	0.60%	0.60%	0	0	0	0	0	0	0	0	0.60%	0.60%	None
Director	CHEN, TAI-CHUNG	0	0	0	0	375	375	16	16	0.59%	0.59%	0	0	0	0	0	0	0	0	0.59%	0.59%	None
Independent Director	HSIEH, I-TA	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	None
	CHU, YANN-FANG	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	None
	CHOU, CHE-YI	0	0	0	0	375	375	44	44	0.64%	0.64%	0	0	0	0	0	0	0	0	0.64%	0.64%	None

1. The total remuneration paid to directors and independent directors as a percentage of net income after tax for 2022 and 2021, respectively, are as follows:

Item /Name	Total remuneration as a percentage of net income after tax (Note)			
	2022		2021	
	The Company	All consolidated entities	The Company	All consolidated entities
Director,Independent Director	17.52%	17.52%	48.31%	48.31%

Note: The higher percentage of total remuneration to net income after tax is mainly due to the lower profit in the current year, resulting in a higher percentage. The remuneration policies and the determination of remuneration are in line with the relevant regulations and should be reasonable.

2. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None.

3. Its linkage to operating performance and future risk exposure:

The remuneration of directors and independent directors is based on their participation and individual contribution to the Company's operations, taking into account the Company's internal "Regulations for the Approval of Salaries" and "Regulations for the Payment of Directors' Remuneration", with reference to the normal standards of listed companies, and are highly linked to the Company's operating performance and its business responsibilities. The Company's Management and Remuneration Committee also regularly review the Company's salary policy and make appropriate adjustments in order to ensure the Company's competitive advantage in the area of human resources and risk management at the management level.

Note 1: This refers to director base compensation in 2022 (including director salary, duty allowances, and various rewards and incentives, etc.).

Note 2: Fill in the amount of director profit-sharing compensation approved by the board of directors for distribution for 2022.

Note 3: This refers to director expenses and perquisites in 2022 (including travel expenses, stipends of any kind, etc.).

Note 4: This includes any remuneration received by a director for concurrent service as an employee in 2022, including salary, duty allowances, rewards, incentives, travel expenses, stipends of any kind, and provision of facilities such as vehicles, etc.

Note 5: This refers to employee profit-sharing compensation (cash) received by a director for concurrent service as an employee in 2022.

The amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year.

Note 6: Disclose the total amount of remuneration paid to the directors of the Company by all companies in the consolidated financial report (including the Company).

Note 7: Net income means the net income after tax on the individual financial report for 2022.

Note 8: The directors of the company did not receive the amount of remuneration received from investee enterprises other than subsidiaries or from the parent company.

## **2022 Parent Company Only Financial Statements and Independent Auditors' Report**

(2023) No. Financial-Supervisory-Securities-Auditing-22004209

To Hotron Precision Electronic Industrial Co., Ltd. :

### **Opinion**

We have audited the accompanying parent company only financial statements of Hotron Precision Electronic Industrial Co., Ltd. (the “Company”), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company 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, 2022 and 2021, and its financial performance and its 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 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

## **Investments accounted for using equity method and the recognition of the investment profit or loss**

### Explanations

For the accounting policies concerning the investments accounted for using equity method, please refer to Note 4(j) to the parent company only financial statements. For the explanation concerning investments accounted for using equity method, please refer to Note 6(d) to the parent company only financial statements.

As of December 31, 2022, the investments accounted for using equity method amounted to NT\$1,770,334 thousands, and the share of the profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$(1,129) thousands in the year ended December 31, 2022. The balance of the investment accounted for using equity method is identified as one of the key audit matter, as the aforementioned amounts are material to the financial statements.

### Audit procedures in response

The main audit procedures in response to the aforementioned key audit matter implemented on specific level are summarized below :

1. Obtain an understanding of the accounting policies of the investments accounted for using equity method, verify whether the accounting policies are in accordance with the regulations governing the preparation of financial reports, and assess whether the accounting policies are appropriate.
2. Obtain an understanding of the relevant control procedures of the investment accounted for using equity method, test and calculate the accuracy of the recognition of related additions, disposals, investment profit or loss and the share of the profit or loss in other comprehensive income.

## **Revenue Cut-off of Sales from Hubs**

### Explanations

For the accounting policies concerning the recognition of revenue, please refer to Note 4(u) to the parent company only financial statements.

There are two main types of sales, including recognizing revenue after shipping from the factory, and recognizing revenue after shipping from hubs. The revenue of the sales from the hubs shall be recognized after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed. The Company recognizes revenue based on the information of actual shipments from the hub to the customers derived from the report or other information provided by the hub's custodian.

The revenue of sales from hubs is recognized based on the report or other information provided by the hub's custodian and the revenue recognition involves numerous manual procedures. As there are numerous sales from hubs, and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cut-off of sales from hubs has been identified as one of the key audit matters.



### Audit procedures in response

The main audit procedures in response to the revenue cut-off of sales from hubs implemented are summarized below :

1. Obtain an understanding of the revenue recognition procedures of the sales from hubs, including obtaining an understanding of the relevant internal control procedures and the information and reports provided by the hub's custodian, to assess the appropriateness of the revenue recognition of sales from hubs.
2. Perform the internal control testing to the revenue from the sales from hubs, to ensure the Company recognized revenue after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed.
3. Perform the revenue cut-off testing to the transactions of sales from hub during a certain period prior and after the balance sheet date, including verifying the supporting documents, shipping certificates, and revenue recognition has been recorded in the appropriate period.
4. Send confirmation letters about the inventory quantities to the hubs, and verify the number with the quantities in the account books.

### **Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial 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 fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the 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 auditing standards generally accepted in 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 auditing standards generally accepted in 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 parent company only 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 from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Wu, Han-Chi

CPA

Lin, Ya-Hui

Securities and Futures Bureau

Reference number of the approval letter : (90)No.

Taiwan-Finance-Securities-VI-157088

Financial Supervisory Commission

Reference number of the approval letter : No.

Financial-Supervisory-Securities-Auditing-1070323061

February 24, 2023

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.  
Parent Company Only Balance Sheets  
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(a)	\$ 284,284	9	\$ 178,921	6
1170	Accounts receivable, net	6(b)	265,325	8	355,376	12
1180	Accounts receivable – related parties, net	6(b), 7	35,376	1	49,063	2
1200	Other receivables		1,519	-	30	-
1210	Other receivables– related parties	7	-	-	692	-
1220	Current tax assets	6(w)	-	-	225	-
130X	Inventories	6(c)	15,817	1	8,786	-
1410	Prepayments	7	369,880	12	246,006	8
1479	Other current assets– others		91	-	1,435	-
11XX	<b>Total current assets</b>		<u>972,292</u>	<u>31</u>	<u>840,534</u>	<u>28</u>
<b>Non-current Assets</b>						
1550	Investments accounted for using equity method	6(d)	1,770,334	56	1,687,437	57
1600	Property, plant, and equipment	6(e), 8	105,244	3	107,576	4
1760	Investment property, net	6(h), 8	302,961	9	307,695	10
1780	Intangible assets		887	-	111	-
1840	Deferred income tax assets	6(w)	18,008	1	18,763	1
1900	Other non-current assets	6(n)	2,920	-	2,034	-
15XX	<b>Total non-current assets</b>		<u>2,200,354</u>	<u>69</u>	<u>2,123,616</u>	<u>72</u>
1XXX	<b>Total assets</b>		<u>\$ 3,172,646</u>	<u>100</u>	<u>\$ 2,964,150</u>	<u>100</u>

(Continued)

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Parent Company Only Balance Sheets

December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(i), 8	\$ 865,000	27	\$ 732,000	25
2110	Short-term notes payable	6(j)	109,843	4	149,932	5
2120	Current financial liabilities at fair value through profit or loss	6(l)	2,116	-	1,811	-
2200	Other payables	6(k)	13,501	-	14,250	1
2230	Current tax liabilities	6(w)	16,553	1	-	-
2320	Long-term liabilities-current portion	6(m)	8,182	-	42,055	1
2399	Other current liabilities-others		484	-	397	-
21XX	<b>Total current liabilities</b>		<u>1,015,679</u>	<u>32</u>	<u>940,445</u>	<u>32</u>
<b>Non-current Liabilities</b>						
2570	Deferred income tax liabilities	6(w)	92,041	3	91,890	3
2670	Other non-current liabilities-others	7	2,095	-	1,604	-
25XX	<b>Total non-current liabilities</b>		<u>94,136</u>	<u>3</u>	<u>93,494</u>	<u>3</u>
2XXX	<b>Total liabilities</b>		<u>1,109,815</u>	<u>35</u>	<u>1,033,939</u>	<u>35</u>
<b>Equity</b>						
Share capital						
3110	Ordinary share	6(o)	932,210	29	923,181	31
Capital surplus						
3200	Capital surplus	6(p)	641,858	20	616,880	21
Retained earnings						
3310	Legal reserve	6(q)	220,291	7	218,051	7
3320	Special reserve		115,046	4	112,601	4
3350	Unappropriated earnings		236,260	8	174,544	6
Other equity						
3400	Other equity		( 82,834)	( 3)	( 115,046)	( 4)
3XXX	<b>Total equity</b>		<u>2,062,831</u>	<u>65</u>	<u>1,930,211</u>	<u>65</u>
Significant contingencies and unrecognized contract commitments						
Significant subsequent events						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 3,172,646</u>	<u>100</u>	<u>\$ 2,964,150</u>	<u>100</u>

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

Chairman : Chang, Li-Jung

General Manager : Lu, I-Hsuan

Accounting Officer : Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.  
Parent Company Only Statements of Comprehensive Income  
As of and For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars  
(Earnings per share is expressed in New Taiwan Dollars)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(r), 7	\$ 778,225	100	\$ 538,469	100
5000 Operating costs	6(c), 7	( 700,522)	( 90)	( 464,068)	( 86)
5900 Net gross profit		<u>77,703</u>	<u>10</u>	<u>74,401</u>	<u>14</u>
Operating expenses	6(v), 7				
6100 Selling expenses		( 190)	-	( 35)	-
6200 Administrative expenses		( 50,879)	( 6)	( 45,914)	( 8)
6000 Total operating expenses		<u>( 51,069)</u>	<u>( 6)</u>	<u>( 45,949)</u>	<u>( 8)</u>
6500 Other revenue and expenses	6(s)	64,321	8	( 8,274)	( 2)
6900 Net operating income		<u>90,955</u>	<u>12</u>	<u>20,178</u>	<u>4</u>
Non-operating income and expenses					
7100 Interest revenue	7	3,429	-	1,964	-
7010 Other revenue		704	-	931	-
7020 Other gains and losses	6(t)	( 225)	-	( 1,228)	-
7050 Finance cost	6(u)	( 10,163)	( 1)	( 7,211)	( 1)
7070 Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(d)	<u>( 1,129)</u>	<u>-</u>	<u>13,596</u>	<u>2</u>
7000 Total non-operating income and expenses		<u>( 7,384)</u>	<u>( 1)</u>	<u>8,052</u>	<u>1</u>
7900 <b>Profit before tax</b>		83,571	11	28,230	5
7950 Income tax expenses	6(w)	( 17,825)	( 2)	( 5,554)	( 1)
8200 <b>Profit</b>		<u>\$ 65,746</u>	<u>9</u>	<u>\$ 22,676</u>	<u>4</u>
<b>Other comprehensive income, net</b>					
<b>Items not to be reclassified into profit or loss</b>					
8311 Remeasurements of defined benefit plans	6(n)	\$ 181	-	(\$ 157)	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method-components not to be reclassified to profit or loss		510	-	( 154)	-
8349 Income tax related to items of other comprehensive income not to be reclassified to profit or loss	6(w)	<u>( 36)</u>	<u>-</u>	<u>31</u>	<u>-</u>
8310 Items not to be reclassified into profit or loss		<u>655</u>	<u>-</u>	<u>( 280)</u>	<u>-</u>
<b>Items that may be subsequently reclassified into profit or loss</b>					
8361 Exchange differences on translation of foreign financial statements		<u>32,212</u>	<u>4</u>	<u>( 2,445)</u>	<u>-</u>
8360 Items that may be subsequently reclassified into profit or loss		<u>32,212</u>	<u>4</u>	<u>( 2,445)</u>	<u>-</u>
8300 <b>Other comprehensive income (loss), net of tax</b>		<u>\$ 32,867</u>	<u>4</u>	<u>(\$ 2,725)</u>	<u>-</u>
8500 <b>Total comprehensive income</b>		<u>\$ 98,613</u>	<u>13</u>	<u>\$ 19,951</u>	<u>4</u>
Basic earnings per share	6(x)				
9750 Basic earnings per share		<u>\$ 0.71</u>		<u>\$ 0.25</u>	
9850 Diluted earnings per share		<u>\$ 0.71</u>		<u>\$ 0.25</u>	

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

Chairman : Chang, Li-Jung

General Manager : Lu, I-Hsuan

Accounting Officer : Hsu, Kuo-Huang

**HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.**  
**Parent Company Only Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**

Expressed in thousands of New Taiwan Dollars

Notes	Capital surplus					Retained earnings			Other equity	Total equity
	Ordinary Shares	Capital surplus	Treasury share transactions	Share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<b>2021</b>										
Balance at January 1, 2021	\$ 832,810	\$ 351,320	\$ 1,615	\$ 13,377	\$ 13	\$ 205,318	\$ 117,252	\$ 285,152	(\$ 112,601 )	\$ 1,694,256
Profit	-	-	-	-	-	-	-	22,676	-	22,676
Other comprehensive income	-	-	-	-	-	-	-	( 280 )	( 2,445 )	( 2,725 )
Total comprehensive income	-	-	-	-	-	-	-	22,396	( 2,445 )	19,951
Appropriation and distribution of 2020 earnings : 6(q)										
Legal reserve	-	-	-	-	-	12,733	-	( 12,733 )	-	-
Special reserve	-	-	-	-	-	-	( 4,651 )	4,651	-	-
Cash dividends	-	-	-	-	-	-	-	( 124,922 )	-	( 124,922 )
Conversion of convertible bonds 6(m)(o)	90,371	262,477	-	( 11,927 )	-	-	-	-	-	340,921
Unclaimed dividends overdue transferred to capital surplus	-	-	-	-	5	-	-	-	-	5
Balance at December 31, 2021	\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046 )	\$ 1,930,211
<b>2022</b>										
Balance at January 1, 2022	\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046 )	\$ 1,930,211
Profit	-	-	-	-	-	-	-	65,746	-	65,746
Other comprehensive income	-	-	-	-	-	-	-	655	32,212	32,867
Total comprehensive income	-	-	-	-	-	-	-	66,401	32,212	98,613
Appropriation and distribution of 2021 earnings : 6(q)										
Legal reserve	-	-	-	-	-	2,240	-	( 2,240 )	-	-
Special reserve	-	-	-	-	-	-	2,445	( 2,445 )	-	-
Conversion of convertible bonds 6(m)(o)	9,029	26,140	-	( 1,171 )	-	-	-	-	-	33,998
Unclaimed dividends overdue transferred to capital surplus	-	-	-	-	9	-	-	-	-	9
Balance at December 31, 2022	\$ 932,210	\$ 639,937	\$ 1,615	\$ 279	\$ 27	\$ 220,291	\$ 115,046	\$ 236,260	(\$ 82,834 )	\$ 2,062,831

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

Chairman : Chang, Li-Jung

General Manager : Lu, I-Hsuan

Accounting Officer : Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 83,571	\$ 28,230
Adjustments			
Items of income and expense			
Depreciation expense (including right-of-use assets and investment properties)	6(e)(f)(h)(v)	7,531	7,213
Amortization expense	6(v)	39	15
Interest expense	6(u)	9,958	5,977
Net loss on financial liabilities at fair value through profit or loss	6(l)(m)(t)	225	1,228
Interest revenue		( 3,429 )	( 1,964 )
Share of profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	6(d)	1,129	( 13,596 )
Bond discount amortization	6(u)	205	1,234
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		90,051	( 327,154 )
Accounts receivable – related parties, net		13,687	26,171
Other receivables		-	12,479
Other receivables– related parties		692	( 692 )
Inventories		( 7,031 )	( 3,287 )
Prepayments		( 123,874 )	( 245,320 )
Other current assets		1,351	( 994 )
Defined benefit assets–non-current		( 705 )	( 840 )
Net changes in operating liabilities			
Notes payable		-	( 500 )
Accounts payable– related parties		-	( 10,792 )
Other payables		( 2,122 )	( 14,225 )
Other current liabilities		87	( 203 )
Cash inflow (outflow) generated from operations		71,365	( 537,020 )
Interest received		1,940	2,343
Interest paid		( 9,879 )	( 5,960 )
Income taxes paid		( 178 )	( 19,048 )
Net cash inflow (outflow) provided by operating activities		<u>63,248</u>	<u>( 559,685 )</u>
<u>Cash flows from investing activities</u>			
Decrease in financial assets at amortized cost		-	165,184
Acquisition of property, plant and equipment	6(e)	( 472 )	( 6,619 )
Acquisition of intangible assets		( 815 )	( 126 )
Acquisition of investments accounted for using equity method	6(d)	( 50,000 )	-
Decrease in refundable deposits		-	420
Net cash inflow (outflow) provided by investing activities		<u>( 51,287 )</u>	<u>158,859</u>
<u>Cash flows from financing activities</u>			
Increase in short-term borrowings	6(y)	133,000	80,000
Increase (Decrease) in short-term notes payables	6(y)	( 40,089 )	99,938
Increase in guaranteed deposits received		491	4
Repayments of lease principal	6(y)	-	( 435 )
Cash dividends paid	6(q)	-	( 124,922 )
Net cash inflow (outflow) provided by financing activities		<u>93,402</u>	<u>54,585</u>
Net increase (decrease) in cash and cash equivalents		105,363	( 346,241 )
Cash and cash equivalents at the beginning of period	6(a)	178,921	525,162
Cash and cash equivalents at the end of period	6(a)	<u>\$ 284,284</u>	<u>\$ 178,921</u>

Please refer to the accompanying notes as an integral part of the parent company only financial statements.

Chairman : Chang, Li-Jung

General Manager : Lu, I-Hsuan

Accounting Officer : Hsu, Kuo-Huang



## **2022 Consolidated Financial Statements and Independent Auditors' Report**

(2023) No. Financial-Supervisory-Securities-Auditing-22003983

To Hotron Precision Electronic Industrial Co., Ltd.:

### **Opinion**

We have audited the accompanying financial statements of Hotron Precision Electronic Industrial Co., Ltd. and subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the 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 Group as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

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

## **Valuation for Inventories**

### Explanations

For the accounting policies concerning the valuation of inventories, please refer to Note 4(j) to the consolidated financial statements. For the uncertainty arising from accounting estimates and assumptions of the valuation of inventories, please refer to Note 5(b) to the consolidated financial statements. For the explanations of the allowance for reduction of inventory to market, please refer to Note 6(c) to the consolidated financial statements. The inventories and allowance for inventory valuation losses amounted to NT\$1,116,557 thousands and NT\$74,888 thousands respectively as of December 31, 2022.

The Group manufactures and sells cables and wires for 3C products. As the life cycle of electronic products is very short, and the market is highly competitive, the risk of suffering from inventory valuation losses is high. The Group measure inventories by the lower of cost and net realizable value. Net realizable value is estimated by the actual average selling prices less the variable selling expense. However, as the net realizable value used in inventory valuation is involved in subjective judgment, it has the characteristic of high uncertainty arising from accounting estimates. The valuation of the allowance inventory valuation losses has been identified as one of the key audit matters.

### Audit procedures in response

The main audit procedures in response to the allowance inventory valuation losses implemented are summarized below:

1. Obtain an understanding of the operation and the nature of the industry of the Group, to assess the rationality of the recognition policies and procedures of the allowance inventory valuation losses, including the rationality of base to determine the net realizable value.
2. Obtain an understanding of the process of hub management, check the annual stocktaking plan, and participate in the annual stocktaking, to assess the effectiveness of identifying and controlling the inventories by the management.
3. Verify the appropriateness of the inventory aging report used for inventory valuation, to ensure the information in the report is in consistency with the policies.
4. Perform the verification of the logic to calculate the net realizable value of the inventories, to assess the rationality of determining the allowance inventory valuation losses.

## **Revenue Cut-off of Sales from Hubs**

### Explanations

For the accounting policies concerning the recognition of revenue, please refer to Note 4(22) to the consolidated financial statements.

There are two main types of sales, including recognizing revenue after shipping from the factory, and recognizing revenue after shipping from hubs. The revenue of the sales from the hubs shall be recognized after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed. The Group recognizes revenue based on the information of actual shipments from the hub to the customers derived from the report or other information provided by the hub's custodian.

The revenue of sales from hubs is recognized based on the report or other information provided by the hub's custodian and the revenue recognition involves numerous manual procedures. As there are numerous sales from hubs, and the transaction amounts prior to and after the balance sheet date are significant to the financial statements, revenue cut-off of sales from hubs has been identified as one of the key audit matters.

### Audit procedures in response

The main audit procedures in response to the revenue cut-off of sales from hubs implemented are summarized below:

1. Obtain an understanding of the revenue recognition procedures of the sales from hubs, including obtaining an understanding of the relevant internal control procedures and the information and reports provided by the hub's custodian, to assess the appropriateness of the revenue recognition of sales from hubs.
2. Perform the internal control testing to the revenue from the sales from hubs, to ensure the Group recognized revenue after the end customers pick up the cargo and the transfer of the risk and reward has been confirmed.
3. Perform the revenue cut-off testing to the transactions of sales from hub during a certain period prior and after the balance sheet date, including verifying the supporting documents, shipping certificates, and revenue recognition has been recorded in the appropriate period.
4. Send confirmation letters about the inventory quantities to the hubs, and verify the number with the quantities in the account books.

## **Other Matter – Parent Company Only Financial Statements**

We have also audited the parent company only financial statements of Hotron Precision Electronic Industrial Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unqualified opinion.

## **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 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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in 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 auditing standards generally accepted in 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from 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 financial statements or, if such disclosures are inadequate, we are required 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 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 audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers Taiwan

Wu, Han-Chi

CPA

Lin, Ya-Hui

Securities and Futures Bureau

Reference number of the approval letter:(90)No.

Taiwan-Finance-Securities-VI-157088

Financial Supervisory Commission

Reference number of the approval letter: No.

Financial-Supervisory-Securities-Auditing-1070323061

February 24, 2023

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES  
Consolidated Balance Sheets  
December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

Assets	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current Assets</b>						
1100	Cash and cash equivalents	6(a)	\$ 566,947	10	\$ 371,589	8
1150	Notes receivables, net	6(b)	8,683	-	15,031	-
1170	Accounts receivables, net	6(b)	975,045	18	1,415,485	28
1200	Other receivables		32,164	1	4,461	-
1220	Current tax assets		-	-	2,247	-
130X	Inventories	6(c)	1,041,669	19	803,372	16
1410	Prepayments		27,312	1	54,912	1
1479	Other current assets– others	6(d)	76,729	1	49,345	1
11XX	<b>Total current assets</b>		<u>2,728,549</u>	<u>50</u>	<u>2,716,442</u>	<u>54</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(e), 8	2,313,052	43	1,790,292	36
1755	Right-of-use Assets	6(f)	97,533	2	97,518	2
1760	Investment property, net	6(h), 8	139,996	2	142,318	3
1780	Intangible assets		5,853	-	377	-
1840	Deferred income tax assets	6(y)	38,085	1	22,492	-
1900	Other non-current assets	6(i)	99,755	2	236,079	5
15XX	<b>Total non-current assets</b>		<u>2,694,274</u>	<u>50</u>	<u>2,289,076</u>	<u>46</u>
1XXX	<b>Total assets</b>		<u>\$ 5,422,823</u>	<u>100</u>	<u>\$ 5,005,518</u>	<u>100</u>

(Continued)

**HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2022 and 2021**

Expressed in thousands of New Taiwan Dollars

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		Amount	%	Amount	%	
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(j),h	\$ 1,387,703	26	\$ 865,955	17
2110	Short-term notes and bills payable	6(k)	139,840	3	179,922	4
2120	Current financial liabilities at fair value through profit or loss	6(m)	2,116	-	1,811	-
2130	Current contract liabilities	6(t)	6,669	-	-	-
2150	Notes payables		8,815	-	6,878	-
2170	Accounts payables		254,304	5	604,267	12
2200	Other payables	6(l)	400,978	7	329,482	7
2230	Current tax liabilities	6(y)	34,034	1	6,913	-
2280	Lease liabilities-current		2,325	-	2,066	-
2320	Long-term liabilities-current portion	6(n),8	8,182	-	42,055	1
2399	Other current liabilities-others		9,462	-	10,457	-
21XX	<b>Total Current liabilities</b>		<u>2,254,428</u>	<u>42</u>	<u>2,049,806</u>	<u>41</u>
<b>Non-current liabilities</b>						
2570	Deferred tax liabilities	6(y)	87,410	1	91,377	2
2580	Lease liabilities-non-current		2,208	-	4,467	-
2600	Other non-current liabilities	6(o)	1,015,946	19	929,657	18
25XX	<b>Total non-current liabilities</b>		<u>1,105,564</u>	<u>20</u>	<u>1,025,501</u>	<u>20</u>
2XXX	<b>Total liabilities</b>		<u>3,359,992</u>	<u>62</u>	<u>3,075,307</u>	<u>61</u>
<b>Equity</b>						
<b>Equity attributable to the owner of the company</b>						
Share capital						
3110	Ordinary share	6(q)	932,210	17	923,181	19
Capital surplus						
3200	Capital surplus	6(r)	641,858	12	616,880	12
Retained earnings						
3310	Legal reserve	6(s)	220,291	4	218,051	4
3320	Special reserve		115,046	2	112,601	2
3350	Unappropriated earnings		236,260	4	174,544	4
Other equity						
3400	Other equity		( 82,834)	( 1)	( 115,046)	( 2)
31XX	<b>Total equity attributable to the owner of the company</b>		<u>2,062,831</u>	<u>38</u>	<u>1,930,211</u>	<u>39</u>
3XXX	<b>Total equity</b>		<u>2,062,831</u>	<u>38</u>	<u>1,930,211</u>	<u>39</u>
Significant contingencies and unrecognized contract commitments						
Significant subsequent events						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 5,422,823</u>	<u>100</u>	<u>\$ 5,005,518</u>	<u>100</u>

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: Chang, Li-Jung

General Manager: Lu, I-Hsuan

Accounting Officer: Hsu, Kuo-Huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Statements of Comprehensive Income

As of and For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars  
(Earnings per share is expressed in New Taiwan Dollars)

Items	Notes	2022		2021	
		Amount	%	Amount	%
4000 Operating revenue	6(t)	\$ 3,362,189	100	\$ 3,006,985	100
5000 Operating costs	6(c)(x), 7	( 2,783,377)	( 83)	( 2,516,502)	( 84)
5900 Net gross profit		<u>578,812</u>	<u>17</u>	<u>490,483</u>	<u>16</u>
Operating expenses	6(x), 7				
6100 Selling expenses		( 132,966)	( 4)	( 119,593)	( 4)
6200 Administrative expenses		( 306,782)	( 9)	( 225,988)	( 8)
6300 Research and development expense		( 121,045)	( 4)	( 99,333)	( 3)
6000 Total operating expenses		<u>( 560,793)</u>	<u>( 17)</u>	<u>( 444,914)</u>	<u>( 15)</u>
6500 Other revenue and expenses	6(u)	<u>64,237</u>	<u>2</u>	<u>( 18,707)</u>	<u>-</u>
6900 Net operating income		<u>82,256</u>	<u>2</u>	<u>26,862</u>	<u>1</u>
Non-operating income and expenses					
7100 Interest revenue		6,316	-	6,340	-
7010 Other revenue		11,795	-	4,587	-
7020 Other gains and losses	6(v)	( 1,851)	-	( 3,253)	-
7050 Finance cost	6(w)	( 20,940)	-	( 8,053)	-
7000 Total non-operating income and expenses		<u>( 4,680)</u>	<u>-</u>	<u>( 379)</u>	<u>-</u>
7900 <b>Profit before tax</b>		<u>77,576</u>	<u>2</u>	<u>26,483</u>	<u>1</u>
7950 Income tax expenses	6(y)	( 11,830)	-	( 3,807)	-
8200 <b>Profit</b>		<u>\$ 65,746</u>	<u>2</u>	<u>\$ 22,676</u>	<u>1</u>
<b>Other comprehensive income, net</b>					
<b>Items not to be reclassified into profit or loss</b>					
8311 Remeasurements of defined benefit plans	6(p)	\$ 819	-	(\$ 350)	-
8349 Income tax related to items of other comprehensive income not to be reclassified to profit or loss	6(y)	( 164)	-	70	-
8310 Items not to be reclassified into profit or loss		<u>655</u>	<u>-</u>	<u>( 280)</u>	<u>-</u>
<b>Items that may be subsequently reclassified into profit or loss</b>					
8361 Exchange differences on translation of foreign financial statements		<u>32,212</u>	<u>1</u>	<u>( 2,445)</u>	<u>-</u>
8360 Items that may be subsequently reclassified into profit or loss		<u>32,212</u>	<u>1</u>	<u>( 2,445)</u>	<u>-</u>
8300 <b>Other comprehensive income (loss), net of tax</b>		<u>\$ 32,867</u>	<u>1</u>	<u>(\$ 2,725)</u>	<u>-</u>
8500 <b>Total comprehensive income</b>		<u>\$ 98,613</u>	<u>3</u>	<u>\$ 19,951</u>	<u>1</u>
Net profit (loss) attributable to:					
8610 Owners of the Company		<u>\$ 65,746</u>	<u>2</u>	<u>\$ 22,676</u>	<u>1</u>
Total comprehensive income (loss) attributable to:					
8710 Owners of the Company		<u>\$ 98,613</u>	<u>3</u>	<u>\$ 19,951</u>	<u>1</u>
Earnings per share	6(z)				
9750 Basic earnings per share		<u>\$ 0.71</u>	<u>\$ 0.25</u>		
9850 Diluted earnings per share		<u>\$ 0.71</u>	<u>\$ 0.25</u>		

Please refer to the accompanying notes as an integral part of the consolidated financial statements

Chairman: Chang, Li-Jung

General Manager: Lu, I-Hsuan

Accounting Officer: Hsu, Kuo-Huang



**HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the Years Ended December 31, 2022 and 2021**

Expressed in thousands of New Taiwan Dollars

	Notes	Equity attributable to owners of parent									Total equity
		Capital surplus				Retained earnings			Other equity		
		Ordinary Shares	Capital surplus	Treasury share transactions	Share options	Others	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<b>2021</b>											
Balance at January 1, 2021		\$ 832,810	\$ 351,320	\$ 1,615	\$ 13,377	\$ 13	\$ 205,318	\$ 117,252	\$ 285,152	(\$ 112,601)	\$ 1,694,256
Profit		-	-	-	-	-	-	22,676	-	-	22,676
Other comprehensive income		-	-	-	-	-	-	(280)	(2,445)	(2,725)	(2,725)
Total comprehensive income		-	-	-	-	-	-	22,396	(2,445)	19,951	19,951
Appropriation and distribution of 2020 earnings: 6(s)											
Legal reserve		-	-	-	-	-	12,733	(12,733)	-	-	-
Special reserve		-	-	-	-	-	(4,651)	4,651	-	-	-
Cash dividends		-	-	-	-	-	-	(124,922)	-	(124,922)	(124,922)
Conversion of convertible bonds	6(n)(q)	90,371	262,477	-	(11,927)	-	-	-	-	-	340,921
Unclaimed dividends overdue transferred to capital surplus		-	-	-	-	5	-	-	-	-	5
Balance at December 31, 2021		<u>\$ 923,181</u>	<u>\$ 613,797</u>	<u>\$ 1,615</u>	<u>\$ 1,450</u>	<u>\$ 18</u>	<u>\$ 218,051</u>	<u>\$ 112,601</u>	<u>\$ 174,544</u>	<u>(\$ 115,046)</u>	<u>\$ 1,930,211</u>
<b>2022</b>											
Balance at January 1, 2022		\$ 923,181	\$ 613,797	\$ 1,615	\$ 1,450	\$ 18	\$ 218,051	\$ 112,601	\$ 174,544	(\$ 115,046)	\$ 1,930,211
Profit		-	-	-	-	-	-	65,746	-	-	65,746
Other comprehensive income		-	-	-	-	-	-	655	32,212	32,867	32,867
Total comprehensive income		-	-	-	-	-	-	66,401	32,212	98,613	98,613
Appropriation and distribution of 2021 earnings: 6(s)											
Legal reserve		-	-	-	-	-	2,240	(2,240)	-	-	-
Special reserve		-	-	-	-	-	2,445	(2,445)	-	-	-
Conversion of convertible bonds	6(n)(q)	9,029	26,140	-	(1,171)	-	-	-	-	-	33,998
Unclaimed dividends overdue transferred to capital surplus		-	-	-	-	9	-	-	-	-	9
Balance at December 31, 2022		<u>\$ 932,210</u>	<u>\$ 639,937</u>	<u>\$ 1,615</u>	<u>\$ 279</u>	<u>\$ 27</u>	<u>\$ 220,291</u>	<u>\$ 115,046</u>	<u>\$ 236,260</u>	<u>(\$ 82,834)</u>	<u>\$ 2,062,831</u>

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: Chang, Li-Jung

General Manager: Lu, I-Hsuan

Accounting Officer: Hsu, Kuo-huang

HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES

Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2022 and 2021

Expressed in thousands of New Taiwan Dollars

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 77,576	\$ 26,483
Adjustments			
Items of income and expense			
Depreciation expense (including right-of-use assets and investment properties)	6(e)(f)(h)(x)	157,368	86,393
Amortization expense	6(x)	1,123	360
Interest expense	6(w)	20,735	6,819
Interest revenue		( 6,316 )	( 6,340 )
Bond discount amortization	6(w)	205	1,234
Loss (Gain) from disposal of property, plant and equipment	6(v)	( 1,633 )	1,874
Net loss on financial assets at fair value through profit or loss	6(m)(v)	225	1,228
Changes in operating assets and liabilities			
Net changes in operating assets			
Notes receivable		6,348	( 7,677 )
Accounts receivable		440,440	( 354,195 )
Other receivables		( 23,916 )	20,146
Inventories		( 238,297 )	( 295,525 )
Prepayments		27,665	( 27,404 )
Other current assets		( 27,239 )	( 39,310 )
Other non-current assets		( 2,950 )	( 3,773 )
Net changes in operating liabilities			
Contract liabilities		6,669	-
Notes payables		1,937	6,378
Accounts payables		( 349,963 )	219,777
Other payables		( 93,422 )	21,148
Other current liabilities		( 995 )	6,775
Other non-current liabilities		( 674 )	( 827 )
Cash inflow (outflow) generated from operations		( 5,114 )	( 336,436 )
Interest received		6,745	5,181
Interest paid		( 19,653 )	( 6,793 )
Income taxes paid		( 6,486 )	( 28,967 )
Net cash inflow (outflow) provided by operating activities		( 24,508 )	( 367,015 )

(Continued)

**HOTRON PRECISION ELECTRONIC INDUSTRIAL CO.LTD. AND THE SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the Years Ended December 31, 2022 and 2021**

Expressed in thousands of New Taiwan Dollars

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<b><u>Cash flows from investing activities</u></b>			
Acquisition of property, plant and equipment	6(aa)	(\$ 243,131)	(\$ 132,544)
Proceeds from disposal of property, plant and equipment		32,078	1,146
Acquisition of intangible assets		( 6,541 )	( 353 )
Increase (decrease) in refundable deposits		( 733 )	1,035
Increase in prepayments for equipment		( 40,077 )	( 211,621 )
Decrease in financial assets at amortized cost-current		-	165,184
Net cash inflow (outflow) provided by investing activities		( 258,404 )	( 177,153 )
<b><u>Cash flows from financing activities</u></b>			
Increase in short-term borrowings	6(ab)	521,748	193,272
Increase (Decrease) in short-term notes payables	6(ab)	( 40,082 )	99,932
Increase in guaranteed deposits received		5,854	921
Repayments of lease principal	6(ab)	( 2,103 )	( 3,046 )
Cash dividends paid	6(t)	-	( 124,922 )
Net cash inflow (outflow) provided by financing activities		485,417	166,157
Effect of movements in exchange on cash and cash equivalents		( 7,147 )	( 8,245 )
Net increase (decrease) in cash and cash equivalents		195,358	( 386,256 )
Cash and cash equivalents at the beginning of period	6(a)	371,589	757,845
Cash and cash equivalents at the end of period	6(a)	\$ 566,947	\$ 371,589

Please refer to the accompanying notes as an integral part of the consolidated financial statements.

Chairman: Chang, Li-Jung

General Manager: Lu, I-Hsuan

Accounting Officer: Hsu, Kuo-Huang