

**HD Renewable Energy Co., Ltd.**

**Parent-Company-Only Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2023 and 2022**

Address: F5, No. 35, Dexing West Road, Shilin District, Taipei City 111  
Telephone: (04)2255-8858

The independent auditors' report and the accompanying parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent-company-only financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所  
KPMG

新竹市科學園區300091展業一路11號  
No. 11, Prosperity Road I, Hsinchu Science Park,  
Hsinchu, 300091, Taiwan (R.O.C.)

電話 Tel	+ 886 3 579 9955
傳真 Fax	+ 886 3 563 2277
網址 Web	kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of HD Renewable Energy Co., Ltd.:

### Opinion

We have audited the financial statements of HD Renewable Energy Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2023 and 2022, and notes to the financial statements, including a summary of material 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 financial performance and its cash flows for each of 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountant and 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 Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. 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. Based on our judgment, the key audit matters that should be disclosed in this report are as follows:

The revenue recognition from construction projects

Please refer to note 4(16) “Revenue recognition” for accounting policy on revenue recognition; note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, note 6(23) “Revenues from contracts with customers” for relevant explanation.



#### Description of key audit matter:

The Company recognize its construction revenue by using the percentage of completion method. The completion level is based on the cost for each contract at year-end. The management will re-evaluate the cost if the total budget had significantly increased or decreased, and will recalculate the percentage of completion in accordance with the adjusted cost. The accuracy of the construction contract revenue may be affected by the completion level and appropriateness of the estimation of total budget cost. Thus, we considered the recognition of revenue as the key matters of our audit.

#### How the matter was addressed in our audit:

Our principal audit procedures included: Understanding and testing the internal control procedures for the operating revenue and receipt cycle to assess whether there are any defects and irregularities of internal control systems; reviewing material contracts to understand the specific terms and risks of each contract; comparing the actual construction costs and the estimated construction costs to evaluate rationality of the estimation method used; sampling relevant vouchers and supporting documentation of selected cases for confirming that the amount of inputs used to calculate the degree of completion of the project in the current period has been properly accounted for; to assess whether the revenue recognition policy is in compliance with the requirements of the statement; and to assess whether the Company's revenue recognition policy is in compliance with the related accounting standard and revenue information is properly disclosed.

#### **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 financial statements in accordance with 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 parent-company-only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to 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 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 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 and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on the 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, 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.



The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan, Wu and Hai-Ning Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 7, 2024

#### **Notes to Readers**

The accompanying parent-company-only financial statements are intended only to present the parent company only financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)  
**HD RENEWABLE ENERGY CO., LTD.**

**Balance Sheets**

**December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars)

		<b>December 31, 2023</b>		<b>December 31, 2022</b>				<b>December 31, 2023</b>		<b>December 31, 2022</b>	
<b>Assets</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Liabilities and Equity</b>		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note 6(1))	\$ 1,955,119	19	1,227,679	22	2100	Short-term borrowings (note 6(12))	\$ 1,124,211	11	287,671	5
1110	Current financial assets at fair value through profit or loss (notes 6(2) and (15))	1,000	-	-	-	2110	Short-term notes and bills payable (note 6(13))	129,840	1	29,932	1
1140	Current contract assets (notes 6(23) and 7)	3,439,976	33	682,215	13	2130	Current contract liabilities (notes 6(23) and 7))	164,481	2	90,869	2
1170	Notes and accounts receivable, net (note 6(4))	70,555	-	17,063	-	2170	Notes and accounts payable	689,932	7	575,490	11
1180	Accounts receivable due from related parties, net (notes 6(4) and 7)	4,952	-	12,239	-	2180	Accounts payable to related parties (note 7)	734,243	7	469,235	8
1210	Other receivables due from related parties, net (note 7)	25	-	8,745	-	2201	Salaries and bonus payable (note 6(24))	98,853	1	108,838	2
130X	Inventories (note 6(5))	298,842	3	192,716	4	2220	Other payables to related parties (note 7)	13,887	-	44,367	-
1421	Prepayments to suppliers (note 7)	327,644	3	250,149	5	2230	Current tax liabilities	117,347	1	197,404	4
1476	Other current financial assets (note 8)	166,572	2	213,940	4	2280	Current lease liabilities (notes 6(16) and 7)	24,957	-	13,247	-
1470	Other current assets (notes 6(11), 7 and 8)	<u>801,115</u>	<u>8</u>	<u>1,046,145</u>	<u>19</u>	2300	Other current liabilities (note 6(17) and 7)	277,172	3	57,853	2
		<u>7,065,800</u>	<u>68</u>	<u>3,650,891</u>	<u>67</u>	2322	Long-term borrowings, current portion (notes 6(14) and 8)	<u>32,114</u>	<u>-</u>	<u>11,211</u>	<u>-</u>
								<u>3,407,037</u>	<u>33</u>	<u>1,886,117</u>	<u>35</u>
<b>Non-current assets:</b>						<b>Non-Current liabilities:</b>					
1517	Non-current financial assets at fair value through other comprehensive income (note 6(3))	-	-	35,000	1	2500	Non-current financial liabilities at fair value through profit or loss (notes 6(2) and (15))	6,700	-	-	-
1550	Investments accounted for using equity method (notes 6(6), (7) and 7)	1,644,502	16	1,004,604	18	2530	Bonds payable (note 6(15))	873,583	8	-	-
1600	Property, plant and equipment (notes 6(8), 7 and 8)	877,106	8	417,941	8	2540	Long-term borrowings (notes 6(14) and 8)	450,181	5	161,644	3
1755	Right-of-use assets (notes 6(9) and 7)	84,600	1	49,138	1	2573	Deferred tax liabilities (note 6(21))	636	-	-	-
1780	Intangible assets (notes 6(10) and 7)	29,930	-	9,893	-	2580	Non-current lease liabilities (notes 6(16) and 7)	60,357	1	35,986	1
1840	Deferred tax assets (note 6(21))	77,521	1	57,756	1	2650	Credit balance of investments accounted for using equity method (notes 6(6) and 7)	264	-	3,331	-
1900	Other non-current assets (notes 6(11), 7 and 8)	<u>592,529</u>	<u>6</u>	<u>244,906</u>	<u>4</u>	2670	Other non-current liabilities (notes 6(17) and 7)	<u>43,738</u>	<u>-</u>	<u>29,095</u>	<u>-</u>
		<u>3,306,188</u>	<u>32</u>	<u>1,819,238</u>	<u>33</u>			<u>1,435,459</u>	<u>14</u>	<u>230,056</u>	<u>4</u>
							<b>Total liabilities</b>	<u>4,842,496</u>	<u>47</u>	<u>2,116,173</u>	<u>39</u>
							<b>Equity (notes 6(15), (18) and (19)):</b>				
						3110	Ordinary share	1,000,000	10	850,000	15
						3200	Capital surplus	3,376,493	32	1,745,474	32
							Retained earnings	1,153,095	11	758,482	14
						3400	Total other equity interest	<u>(96)</u>	<u>-</u>	<u>-</u>	<u>-</u>
							<b>Total equity</b>	<u>5,529,492</u>	<u>53</u>	<u>3,353,956</u>	<u>61</u>
<b>Total assets</b>		<b>\$ <u>10,371,988</u></b>	<b><u>100</u></b>	<b><u>5,470,129</u></b>	<b><u>100</u></b>		<b>Total liabilities and equity</b>	<b>\$ <u>10,371,988</u></b>	<b><u>100</u></b>	<b><u>5,470,129</u></b>	<b><u>100</u></b>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)  
**HD RENEWABLE ENERGY CO., LTD.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2023 and 2022**

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		<b>2023</b>		<b>2022</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000	<b>Operating revenues</b> (notes 6(23) and 7)	\$ 5,770,414	100	5,052,656	100
5000	<b>Operating costs</b> (notes 6(5), (24), 7 and 12)	4,373,691	76	3,729,337	74
	<b>Gross profit</b>	1,396,723	24	1,323,319	26
5910	Unrealized profit from sales (note 6(6))	(85,168)	(1)	(204,412)	(4)
	<b>Realized gross operating profit</b>	1,311,555	23	1,118,907	22
6000	<b>Operating expenses</b> (notes 6(24), 7 and 12):				
6100	Selling expenses	60,347	1	40,096	1
6200	Administrative expenses	281,917	5	230,266	5
6300	Research and development expenses	40,665	1	12,178	-
	<b>Total operating expenses</b>	382,929	7	282,540	6
	<b>Net operating income</b>	928,626	16	836,367	16
	<b>Non-operating income and benefit:</b>				
7100	Interest income (notes 6(25) and 7))	12,235	-	3,193	-
7010	Other income (notes 6(26) and 7)	6,650	-	10,494	-
7020	Other gains and losses (notes 6(7), (27) and 7)	14,985	-	(10,362)	-
7050	Finance costs (notes 6(28) and 7)	(34,702)	-	(12,282)	-
7060	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method, net (note 6(6))	81,686	1	(14,318)	-
	<b>Total non-operating income and expenses</b>	80,854	1	(23,275)	-
	<b>Profit before tax</b>	1,009,480	17	813,092	16
7951	<b>Less: Income tax expense</b> (note 6(21))	194,069	3	162,986	3
	<b>Profit for the year</b>	815,411	14	650,106	13
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income (note 6(3))	(20,589)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Total items that will not be reclassified subsequently to profit or loss</b>	(20,589)	-	-	-
8360	<b>Items that will be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(120)	-	-	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss (note 6(21))	(24)	-	-	-
	<b>Total items that will be reclassified subsequently to profit or loss</b>	(96)	-	-	-
8300	<b>Other comprehensive income</b>	(20,685)	-	-	-
	<b>Total comprehensive income</b>	\$ 794,726	14	650,106	13
	<b>Earnings per share (NT dollar)</b> (note 6(22))				
	Basic earnings per share	\$ 8.36		8.18	
	Diluted earnings per share	\$ 8.20		7.99	

See accompanying notes to parent-company-only financial statements.



(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

**HD RENEWABLE ENERGY CO., LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Legal reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Total other equity interest		Total equity
				Unappropriated retained earnings	Total		Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	
<b>Balance at January 1, 2022</b>	\$ 700,000	660,619	44,560	237,011	281,571	-	-	-	1,642,190
Profit for the year	-	-	-	650,106	650,106	-	-	-	650,106
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	650,106	650,106	-	-	-	650,106
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	16,481	(16,481)	-	-	-	-	-
Cash dividends distributed to ordinary shareholders	-	-	-	(170,000)	(170,000)	-	-	-	(170,000)
Capital increase by cash and compensation costs recognized for reserve of employee subscription	150,000	1,084,653	-	-	-	-	-	-	1,234,653
Effect of long-term equity investment recognized in disproportionate shareholding	-	202	-	(3,195)	(3,195)	-	-	-	(2,993)
<b>Balance at December 31, 2022</b>	850,000	1,745,474	61,041	697,441	758,482	-	-	-	3,353,956
Profit for the year	-	-	-	815,411	815,411	-	-	-	815,411
Other comprehensive income for the year	-	-	-	-	-	(96)	(20,589)	(20,685)	(20,685)
Total comprehensive income for the year	-	-	-	815,411	815,411	(96)	(20,589)	(20,685)	794,726
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	64,691	(64,691)	-	-	-	-	-
Cash dividends distributed to ordinary shareholders	-	-	-	(400,000)	(400,000)	-	-	-	(400,000)
Capital increase by cash and compensation costs recognized for reserve of employee subscription	150,000	1,501,993	-	-	-	-	-	-	1,651,993
Difference between consideration and carrying amount of subsidiaries acquired or disposed of	-	1,215	-	(26)	(26)	-	-	-	1,189
Conversion of convertible bonds	-	128,013	-	-	-	-	-	-	128,013
Disposal of investment in equity instruments at fair value through other comprehensive income	-	-	-	(20,589)	(20,589)	-	20,589	20,589	-
Effect of long-term equity investment recognized in disproportion shareholding	-	(202)	-	(183)	(183)	-	-	-	(385)
<b>Balance at December 31, 2023</b>	\$ 1,000,000	3,376,493	125,732	1,027,363	1,153,095	(96)	-	(96)	5,529,492

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)  
**HD RENEWABLE ENERGY CO., LTD.**

**Statements of Cash Flows**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>1,009,480</u>	<u>813,092</u>
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	54,670	29,312
Amortizations expense	10,018	3,233
Net gain on financial assets or liabilities at fair value through profit or loss	(3,168)	-
Interest expense	34,702	12,282
Interest income	(12,235)	(3,193)
Share-based payments transactions	1,993	4,653
Share of profit (loss) of equity-accounted subsidiaries, associates and joint ventures	(81,686)	14,318
Loss allowance for write-down of inventories	476	392
Gains on disposal of investments	(2,249)	(1,837)
Gain on leases modification	-	(6)
Gain on bargain purchase transaction	(555)	-
Unrealized profit from inter-company sale transactions	85,168	204,412
Others	120	-
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	(46,205)	100,053
Contract assets	(2,757,761)	38,679
Other receivables (including related parties)	6,680	(25,565)
Inventories	(106,602)	(163,851)
Prepayments to suppliers	(77,495)	(206,831)
Other operating assets	141,269	(503,533)
Contract liabilities	73,612	(225,362)
Notes and accounts payable (including related parties)	379,450	500,167
Other operating liabilities	<u>216,834</u>	<u>106,041</u>
<b>Total adjustments</b>	<u>(2,082,964)</u>	<u>(116,636)</u>
Cash inflow (outflow) generated from operations	(1,073,484)	696,456
Interest received	12,160	3,197
Dividends received	13,179	1,083
Interest paid	(22,987)	(11,691)
Income taxes paid	<u>(293,231)</u>	<u>(100,995)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>(1,364,363)</u>	<u>588,050</u>

**(Continued)**

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)

**HD RENEWABLE ENERGY CO., LTD.**

**Statements of Cash Flows (Continued)**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(35,000)
Acquisition of equity-accounted investments	(1,296,111)	(1,295,649)
Proceeds from disposal of equity-accounted investments	281,450	451,212
Inward remittance of prepayments for investments	-	20,000
Proceeds from capital reduction of investments accounted for using equity method	378,837	532
Acquisition of property, plant and equipment	(542,346)	(226,639)
Decrease in refundable deposits	(205,394)	(122,498)
Decrease in other receivables due from related parties	2,000	8,800
Acquisition of intangible assets	(30,175)	(10,114)
Decrease (increase) in restricted bank deposits	24,899	(99,059)
<b>Net cash flows from (used in) investing activities</b>	<b>(1,386,840)</b>	<b>(1,308,415)</b>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from short-term borrowings	2,002,777	1,773,955
Repayments of short-term borrowings	(1,166,237)	(1,765,395)
Proceeds from issuance of bonds (net of issuance costs)	999,750	-
Proceeds from long-term borrowings	325,956	105,000
Repayments of long-term borrowings	(16,516)	(43,779)
Increase in short-term notes and bills payable (after deducting the discounts)	99,669	29,712
Payments of lease liabilities	(16,756)	(8,420)
Cash dividends paid	(400,000)	(170,000)
Capital increase by cash	1,650,000	1,230,000
<b>Net cash inflows from financing activities</b>	<b>3,478,643</b>	<b>1,151,073</b>
Increase in cash and cash equivalents	727,440	430,708
Cash and cash equivalents at beginning of period	1,227,679	796,971
Cash and cash equivalents at end of period	<b>\$ 1,955,119</b>	<b>1,227,679</b>

See accompanying notes to parent-company-only financial statements.

(English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese)  
**HD RENEWABLE ENERGY CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2023 and 2022**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**1. Company history:**

HD Renewable Energy Co., Ltd. (the HD or “Company”) was incorporated in May 16, 2016 under the approval of Ministry of Economic Affairs, Republic of China (R.O.C). The address of the company's registered office is F5, No. 35, Dexing West Road, Shilin District, Taipei City 111. The shares of the Company were first publicly issued through Taipei Exchange in R.O.C on November 3, 2021 and were approved for trading over the emerging stock board of the Center on December 28, 2021. The company's share have been listed and traded on the Taiwan Innovation Board (“TIB”) since March 6, 2023.

The main activities of the Company are the development, design, engineering and maintenance services of various solar power stations, asset management services, aquaculture management and intelligent energy services.

**2. Approval date and procedures of the financial statements:**

These parent-company-only financial statements were authorized for issue by the Board of Directors on March 7, 2024.

**3. New standards, amendments and interpretations adopted:**

- (1) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its parent-company-only financial statements, from January 1, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its parent-company-only financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (2) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its parent-company-only financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
  - Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (3) The impact of IFRS issued by International Accounting Standards Board (the “IASB”) but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

#### **4. Summary of material accounting policies:**

The material accounting policies applied in the preparation of these parent-company-only financial statements are summarized as below. Except for those specifically indicated, the accounting policies have been applied consistently to all periods presented in these parent-company-only financial statements.

(1) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(2) Basis of preparation

A. Basis of measurement

The parent-company-only financial statements have been prepared on a historical cost basis.

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- (a) Financial instruments at fair value through profit or loss are measured at fair value; and
- (b) Financial assets at fair value through other comprehensive income are measured at fair value.

B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan Dollars (“NTD”), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(3) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Exchange differences of monetary items are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(4) Classification of current and non-current assets and liabilities

The assets and liabilities relating to the project contract are classified as current or non-current on the basis of a business cycle (usually one to two years), with the remaining assets and liabilities divided by the following sub-criteria:

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting date; or
- D. The asset is cash or a 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 one of the following criteria, and all other liabilities are classified as non-current.

- A. It is expected to be settled in its normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue equity instruments do not affect its classification.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(5) Cash and cash equivalents

Cash comprises cash on hand, demand deposits and time deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(6) Financial instruments

Accounts receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when The Company becomes a party to the contractual provisions of the instrument.

A. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless The Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL);

- i. It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii. Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus the cumulative amortization using the effective interest method and adjusted for any loss allowance. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, The Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which The Company's right to receive payment is established.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. Trade receivables that The Company intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'trade receivables' line item. On initial recognition, The Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets at amortized cost, including cash and cash equivalents, receivables, other receivables, refundable deposits and other financial assets, etc., and contract assets.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, The Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on The Company's historical experience and informed credit assessment as well as forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to The Company in full.



## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

ECLs are probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls, i.e the difference between the cash flows due to The Company in accordance with the contract and the cash flows that The Company expects to receive. ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, The Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets. The recognition or reversal of the loss allowance is recognized in profit or loss.

The gross carrying amount of a financial asset is written off when The Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with The Company's procedures for recovery of amounts due.

#### **(e) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which The Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risk and rewards of the transferred asset. In these causes, the transferred assets are not recognized.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

**B. Financial liabilities**

**(a) Classification of debt or equity**

Debt and equity instruments issued by The Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(b) Equity instrument**

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

**(c) Preference shares**

Compound financial instruments issued by The Company comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

**(d) Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(e) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, The Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined using the weighted average method, and includes necessary cost incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investment in subsidiaries

When preparing the parent-company-only financial statement, investment in subsidiaries which are controlled by the Company is accounted for using equity method. Under equity method, the profit or loss, other comprehensive income equity in the parent-company-only financial statement are to the owners of the parent in the consolidated financial statements.

Changes in the parent's ownership interest in its subsidiaries that do not result in a loss of control are accounted as equity transactions.

(9) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control over their financial and operating policies.

Joint venture is a joint arrangement whereby the Company and other parties agreed to share the control of the arrangement, and the Company has rights to the net assets of the arrangement. Also, unanimous consent from the parties sharing control is required when making decisions for the relevant activities of the arrangement.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associates and joint ventures, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's or joint venture's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Unrealized gains and losses resulting from transactions between the Company and an associate or joint ventures are recognized in the financial statement only to the extent of unrelated Company's interests in the associate and joint venture.

When the Company's share of losses of an associate equals or exceeds its interests in an associate or joint venture, it discontinues recognizing its share of further losses. After the recognized interest 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 or joint venture.

#### **(10) Property, plant and equipment**

##### **A. Recognition and measurement**

Items of property, plant and equipment are measured at cost, less accumulated depreciation, and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

##### **B. Subsequent expenditure**

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

##### **C. Depreciation**

Depreciation is calculated on the cost of an asset, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- (a) Buildings: 50 years
- (b) Machinery and equipment: 3~20 years
- (c) Transportation equipment: 5~8 years

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(d) Office equipment: 3~6 years

(e) Other equipment: 3~5 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(11) Intangible assets

A. Research and development

Expenditure arising from research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

C. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

D. Amortization

The amortized amount of an intangible asset is the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives listed below from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software: 1 to 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(12) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

A. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. In addition, the right-of-use asset is periodically evaluated and reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments (including in-substance fixed payments);
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the assessment regarding the purchase option; or
- (d) there is a change of its assessment on whether it will exercise an extension or termination option; or
- (e) there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize the difference in profit or loss for any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory and others that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **B. As a lessor**

Lease income from operating lease is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the straight-line over the lease term.

#### **(13) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **(14) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

The Company is subject to decommissioning obligations related to certain items of property, plant and equipment. Such decommissioning obligations are primarily attributable to clean-up costs, including deconstruction, transportation, module recover and recover costs. The unwinding of the discount based on original discount rate is recognized in profit or loss as interest expense over the periods with corresponding increase in the carrying amounts of the accrued decommissioning costs. The carrying amount of the accruals at the end of the assets' useful lives is the same as the estimated decommissioning costs.

(15) Employee benefits

A. Defined contribution plans

Obligations for contributions to the defined contribution plans are expensed as related services are provided.

B. Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(16) Revenue recognition

A. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

(a) Construction contracts

The Company enters into construction contracts to build solar power plants and site development. Because its customer gradually controls the asset as it is constructed, the Company recognizes revenue over time on the basis of the costs incurred to date as a proportion of the total estimated costs of the contract. The consideration promised in the contract includes fixed amounts. The customer pays the fixed amount based on a payment schedule. The Company recognizes revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. If the Company has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.



**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

If the Company cannot reasonably measure its progress towards complete satisfaction of the performance obligation in accordance with the construction contracts, revenue is recognized only to the extent of contract costs incurred that it is expected to be recovered.

A provision for onerous contracts is recognized when the Company expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(b) Revenue from service rendered

The Company provides advisory and maintenance services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on the rendered services to date as a proportion of the total estimated rendered services of the transaction. In cases of fixed price contracts, the customer pays the fixed amount based on a payment schedule.

(c) Sales of goods

Revenue is recognized when the control over a product has been transferred to the customer. The transfer of control refers to the product has been delivered to and accepted by the customer without remaining performance obligations from the Company. Delivery occurs when the product has been shipped to the specified location and the risk of loss over the product has been transferred to the customer, as well as when the product has been accepted by the customer according to the terms of sales contract, or when the Company has objective evidence that all criteria for acceptance have been satisfied.

(d) Revenue from power generation

Revenue from the sale of electricity is recognized after the transmission of electricity through the power grid and calculated at the rates agreed with Taiwan Power Company.

(e) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, or effect of financing component to respective contract is insignificant. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

**B. Contract costs**

**(a) Incremental costs of obtaining a contract**

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred, regardless of whether the contract was obtained, shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized one year or less.

**(b) Costs to fulfill a contract**

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (i) the costs relate directly to a contract or to an anticipated contract that the Company can specifically identify;
- (ii) the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

General and administrative costs, costs of wasted materials, labor or other resources to fulfill the contract that were not reflected in the price of the contract, costs that relate to satisfied performance obligations (or partially satisfied performance obligations), and costs for which the Company cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations (or partially satisfied performance obligations), the Company recognizes these costs as expenses when incurred.

**(17) Share-based payment**

The remuneration cost of employee share-based payment arrangements is measured based on the fair value at the date on which they are granted. The remuneration cost is recognized, together with a corresponding increase in equity, over the periods in which the employees become unconditionally entitled to the awards. The amount of the compensation cost recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the fair value of the share-based payment at the grant date is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

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**Notes to the Financial Statements**

Grant date of a share-based payment award is the date which the Company and employees reach a consensus in the subscription price and number of shares.

The grant date of options for employees to subscribe new shares for a cash capital injection is the date when the Board of Directors approves the exercise price and the number of shares employees can subscribe.

**(18) Income tax**

Income taxes comprise both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at the reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

- (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

#### **(19) Earnings per share**

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation and convertible bonds.

#### **(20) Business combination**

The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Company measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRS Accounting Standards endorsed by the FSC.

In a business combination achieved in stages, the Company remeasures its previously held equity interest in the acquiree at its acquisition-date fair value, and recognizes the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Company may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income will be recognized on the same basis as would be required if the Company had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount will be reclassified to profit or loss.

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts for the items for which the accounting is incomplete are reported in the Company's financial statements. During the measurement period, the provisional amounts recognized at the acquisition date are retrospectively adjusted, or additional assets or liabilities are recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period will not exceed one year from the acquisition date.

#### **(21) Operating segments**

Segment information has been disclosed in consolidated financial statements; therefore, disclosure of the segment information in the parent company only financial statement is waived.

#### **5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

The revenue recognition of construction projects

The profit or loss incurred is recognized based on construction stage of a contract completion is measured based on the proportion of the contract cost incurred for work performed to date relative to the estimated total contract costs; The Company regularly review the reasonableness of their estimates and are affected by changes in the industrial environment and construction conditions, which may result in changes in the estimated total cost of completion, which in turn affects the amount recognized by the Company's revenue and the Company contractual assets and contractual liabilities at the end of the period. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts.

The Company's management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

The Company's accounting policy and disclosure include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. The Company also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(29) for assumptions used in measuring fair value.

**6. Explanation of significant accounts:**

(1) Cash and cash equivalents

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Cash on hand	\$ 925	875
Demand deposits	1,953,928	1,226,438
Checking account deposits	-	103
Foreign currency deposits	266	263
	<u><u>\$ 1,955,119</u></u>	<u><u>1,227,679</u></u>

Please refer to note 6(29) for the disclosure of credit risk and currency risk of the financial assets and liabilities of the financial instruments of the Company.

As of December 31, 2023 and 2022, no cash and cash equivalents were pledged with banks as collaterals.

(2) Financial assets and liabilities at fair value through profit or loss

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Financial liabilities designed at fair value through profit or loss - current:		
Unsecured convertible corporate bonds - call options	\$ <u><u>1,000</u></u>	<u><u>-</u></u>
Financial liabilities designed at fair value through profit or loss - non-current:		
Unsecured convertible corporate bonds - put options	\$ <u><u>6,700</u></u>	<u><u>-</u></u>

Please refer to note 6(15) for the amount measured at fair value through profit and loss.

(3) Financial assets at fair value through other comprehensive income

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Equity investments at fair value through other comprehensive income:		
Unlisted common shares	\$ <u><u>-</u></u>	<u><u>35,000</u></u>

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for the long term strategic purposes.

Due to operational planning, the Company acquired all the remaining shares of BESEYE and became 100% owner of BESEYE. The Company treated this transaction as a disposal of an investment and transferred its fair value to investments accounted for using the equity method. Therefore, the accumulated unrealized losses on financial assets measured at fair value through other comprehensive income of \$20,589 thousand has been transferred from other equity to retained earnings.

The above mentioned investments in equity instruments at fair value through other comprehensive income were not pledged as collateral.

(4) Notes and accounts receivable, net (including related parties)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Notes receivable	\$ -	14,490
Accounts receivable	71,202	3,220
Accounts receivable from related parties	4,952	12,239
Less: Loss allowance	(647)	(647)
	<b><u>\$ 75,507</u></b>	<b><u>29,302</u></b>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	<b>December 31, 2023</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 73,084	0.00%	-
1 to 30 days past due	2,423	0.00%	-
	<b><u>\$ 75,507</u></b>		<b><u>-</u></b>
	<b>December 31, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 17,090	0.00%	-
1 to 30 days past due	12,212	0.00%	-
	<b><u>\$ 29,302</u></b>		<b><u>-</u></b>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

In addition, there was objective evidence indicating that, under reasonable expectation, some of the notes and accounts receivable would not be recovered in total; therefore the loss allowance recognized by the Company for the years ended December 31, 2023 and 2022 were both \$647 thousand.

The movements in the allowance for notes and accounts receivable for the years ended December 31, 2023 and 2022 were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Balance at January 1 (Balance at December 31)	<u>\$ 647</u>	<u>647</u>

As of December 31, 2023 and 2022, the notes and accounts receivable of the Company were not pledged as collateral.

(5) Inventories

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Module pending for construction	\$ 124,329	85,497
Power cables pending for construction	33,344	56,373
Steel structure pending for construction	130,732	14,582
Raw materials	<u>10,437</u>	<u>36,264</u>
	<u><b>\$ 298,842</b></u>	<u><b>192,716</b></u>

For the year ended December 31, 2023 and 2022, the cost of inventory recognized as the cost of goods sold and expenses amounted to \$4,373,691 thousand and \$3,729,337 thousand, respectively. During the year ended December 31, 2023, the reversal of write-down of inventories amounted to \$476 thousand. During the year ended December 31, 2022, the write-down of inventories amounted to \$392 thousand. The write-down and reversal amounts are included in cost of goods sold.

As of December 31, 2023 and 2022, the inventories of the Company were not pledged as collateral.

(6) Investments in Equity-accounted Ivestees (Including credit balance)

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries	\$ 1,498,318	485,998
Associates	140,238	78,642
Joint ventures	351,084	699,934
Less: Unrealized gains from inter-company transaction	<u>(345,138)</u>	<u>(259,970)</u>
	<u><b>\$ 1,644,502</b></u>	<u><b>1,004,604</b></u>
Credit balance of investments accounted for using equity method	<u><b>\$ (264)</b></u>	<u><b>(3,331)</b></u>



# HD RENEWABLE ENERGY CO., LTD.

## Notes to the Financial Statements

### A. Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2023 for the subsidiary information:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Shares attributable to the Company are as follows:		
Net income (loss)	\$ <u>53,919</u>	<u>(22,400)</u>

### B. Associates

Name of Associates	Business Activity	Main operating location/ Registered country of the company	December 31, 2023		December 31, 2022	
			Amount	Percentage %	Amount	Percentage %
Ri Qing Green Co., Ltd. (Ri Qing)	Energy technology Service	Republic of China	3,020	34	3,043	34
Ri Fa Green Co., Ltd. (Ri Fa)	Energy technology Service	Republic of China	63,685	40	55,799	40
Yun Deng Green Co., Ltd. (Yundeng)	Energy technology Service	Republic of China	33,737	40	19,800	40
Stellar Energy Technology Inc. (Stellar)	Energy technology Service	Republic of China	39,796	30	-	-
			<u>\$ 140,238</u>		<u>78,642</u>	

The Company acquired 30% shares of Stellar for \$36,000 thousand in cash, resulting in the Company to have significant influence over Stellar.

Ri Fa engaged in the cash capital increase in August 2022, and the Company invested \$47,300 thousand, but the Company did not subscribe in proportion to its shareholding, resulting in the reduction of shareholding ratio from 100% to 40%, thereby losing control over Ri Fa. The shareholding previously held was deemed to be a disposal of investment. The gain on disposal was \$60 thousand. At the same time, the Company's 40% of equity interest in Ri Fa was transferred to investment accounted for under equity method at a loss of control fair value, amounting to \$47,960 thousand.

Yun Deng engaged in the cash capital increase in December 2022, but the Company did not subscribe in proportion to its original shareholding and make a disposal at the price of \$8,000 thousand, resulting in the reduction of its shareholding ratio from 100% to 40%, thereby losing control over Yun Deng. The shareholding previously held was deemed to be a disposal of investment. The gain on disposal was \$219 thousand. At the same time, the Company's 40% equity interest in Yun Deng was transferred to investment accounted for under equity method at a loss of control fair value, amounting to \$19,854 thousand.

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

The liquidations of Ri Jie Green Co., Ltd. and Ri Da Green Co., Ltd were completed in August 2022, with the recovered investment amounting to \$532 thousand. The remaining was recognized as losses on disposals of investments amounting to \$661 thousand, and recognized in the statement of comprehensive income.

The Company increased cash capital in AcTek Energy Co., Ltd. (AcTek) by \$56,100 thousand in August 2022 and disposed its entire equity interest in AcTek in December 2022. The disposal price was \$68,000 thousand and the gain on disposal was \$591 thousand, which was recognized in the other comprehensive income.

The Company holds 30% to 40% of the voting rights in associates for the years ended December 31, 2023 and 2022. The remaining shares are concentrated within certain shareholders. The Company was not able to obtain more than half of the total number of directors of these associates, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company does not have de facto influence on these associates.

The Company's parent-company-only financial information for investments accounted for using equity method that are individually insignificant was as follows:

	<u>2023</u>	<u>2022</u>
Attributable to the Company are as follows:		
Net income (loss)	\$ <u>11,687</u>	<u>(817)</u>

#### C. Joint ventures

Name of Investor	Business Activity	Main operating location/ Registered country of the company	December 31, 2023		December 31, 2022	
			Amount	Percentage %	Amount	Percentage %
Star Power Energy Corporation (Star Power)	Energy technology service	Republic of China	292,508	20	261,100	20
Aquastar Energy Co., Ltd. (Aquastar)	Energy technology service	Republic of China	58,576	10	59,951	10
Star Network Data Co., Ltd. (Star Network)	Energy technology service	Republic of China	-	-	378,883	49
			<u>\$ 351,084</u>		<u>699,934</u>	

The Company acquired the remaining 60% equity interest from the other shareholders of Ri Yun Green Co., Ltd ("Ri Yun") on June 17, 2022 at a total investment price of \$96,600 thousand, resulting in an increase in the Company's shareholding ratio from 40% to 100%, and a change in ownership that offset retained earnings, amounting to \$(748) thousand. The Company sold all of its shares of Ri Yun to the Company's related party, Aquastar at a disposal price of \$161,000 thousand and recognized gain on disposal of investment of \$1,247 thousand on June 29, 2022.

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### Notes to the Financial Statements

The Company acquired 49% of shares in Ankang Data Co., Ltd. ("Ankang") in August 2022 at \$107,800 thousand. The joint venture of Ankang was involved in the cash capital increase of the Company's subsidiary, Star Network, and acquired 51% of shares in Star Network in September 2022. As a result of the operational strategy, both parties reached an agreement for Star Network to acquire 100% shares in Ankang. Thus, the Company disposed all its equity interest in Ankang to Star Network at the book value of \$107,772 thousand.

The Company subscribed for the cash capital increase of Star Network in September 2022, at \$107,700 thousand. However, the Company did not subscribe in proportion to its shareholding, resulting in the reduction of its shareholding ratio from 100% to 49%, thereby losing control over Star Network. The shareholding previously held was deemed to be a disposal of investment and the the gain of disposal was \$14 thousand. At the same time, the Company's 49% of equity interest in Star Network was transferred to investment accounted for using the equity method, at the loss of control fair value of \$107,787 thousand. In addition, the Company subscribed the capital increase of Star Network amounting to \$205,800 thousand and \$65,303 thousand in October and November 2022, respectively.

Ankang, a subsidiary of Star Network, planned to collaborate with other companies on the construction of the data center. Nevertheless, the planning concept did not align with the expectations of the Company and other companies were anticipating to establish new partnership. Therefore, the refund of the Company's capital increase in Star Network amounting to \$373,870 thousand was processed by Ankang and transferred the refund amount to Star Network. Subsequently, Star Network refunded the amount to the Company in year 2023. The liquidation of Star Network was completed in May 2023, with the recovered investment and losses on disposals of investment amounting to \$4,967 thousand and \$1 thousand, respectively.

The consolidated financial information of significant joint ventures were as follows:

The summary of financial information of Star Power:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current assets	\$ 137,722	158,898
Non-current assets	1,397,714	1,221,430
Current liabilities	(7,450)	(50,348)
Non-current liabilities	(65,448)	(24,482)
Net assets	<b>\$ 1,462,538</b>	<b>1,305,498</b>
Net assets attributable to non-controlling interests	<b>\$ 1,170,030</b>	<b>1,044,398</b>
Net assets attributable to the owner of the investee	<b>\$ 292,508</b>	<b>261,100</b>
	<b>2023</b>	<b>2022</b>
Operating revenue	<b>\$ 6,942</b>	<b>2,148</b>
Profit	\$ 87,498	44,953
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<b>\$ 87,498</b>	<b>44,953</b>
Comprehensive income, attributable to non-controlling interests	<b>\$ 69,998</b>	<b>35,962</b>
Comprehensive income attributable to owner of the investee	<b>\$ 17,500</b>	<b>8,991</b>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

	<u>2023</u>	<u>2022</u>
Share of net assets of joint venture as of January 1	\$ 261,100	201,090
Individual acquisition	22,000	52,000
Dividends received during the period	(8,092)	(981)
Comprehensive income attributable to the Company	<u>17,500</u>	<u>8,991</u>
Share of net assets of joint venture as of December 31	<u>292,508</u>	<u>261,100</u>
Carrying amounts of interests in joint venture as of December 31	<u><u>\$ 292,508</u></u>	<u><u>261,100</u></u>

The Company's financial information for investments accounted for using equity method that charges are individually insignificant was as follows:

	<u>2023</u>	<u>2022</u>
Attributable to the Company are as follows:		
Loss	<u><u>\$ (1,420)</u></u>	<u><u>(92)</u></u>

As of December 31, 2023 and 2022, the investments accounted for using equity method were not pledged as collateral.

**D. Prepayments for investments**

The Company paid an investment of \$20,000 thousand in the acquisition of Apollo Aquatic Product Co., Ltd. during 2020. After receiving the permission on this proposal from both parties, the Company will make application to competent authority for the approval of the legal transfer of Apollo Aquatic. However, both parties have terminated their co-operation and the invested funds have been fully recovered in June 29, 2022.

**(7) Loss control or acquisition of subsidiaries**

**A. Acquisition of subsidiaries**

The Company acquired all the remaining shares of BESEYE from other shareholders in May 2023, at investment amount of \$85,589 thousand, resulting in an increase in the shareholding ratio from 14.41% to 100%. Please refer to note 6(3) for details.

The Company acquired 100% of equity interest in Ju Wang Energy Co., Ltd (Ju Wang) in May 2023, at investment amount of 24,400 thousand. The Company further increased its investment in Ju Wang in May and July 2023, the investments amounting to \$13,600 thousand and \$12,000 thousand, respectively.

The Company acquired 70% of equity interest in Rui Yang Optronics Co., Ltd. (Rui Yang) in September 2023, at investment amount of \$196,000 thousand. The gain on bargain purchase from this acquisition was \$555 thousand.

The Company acquired 100% of equity interest in Ri Chu Energy Co., Ltd. (Ri Chu), Lanjing Volt Co., Ltd. (Lanjing) and Landian Solar Energy Co., Ltd. (Landian) in November 2023, at investment amount of \$42,674 thousand. In addition, the Company increased in investment in Ri Chu in December 2023, at investment amount of \$58,000 thousand.

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

The Company acquired 100% equity interest in Li Tong Management Consulting Ltd. (Li Tong) and HD Renewable Energy Japan Co., Ltd. (HD Japan) in December 2023, at investment amount of \$1,086 thousand. At the same time, the Company increased its investment in Li Tong and HD Japan in December 2023, at investment amount of \$41,000 thousand and \$43,342 thousand, respectively.

The Company acquired 100% of the shareholdings of NFC I and II Green C Ltd. ("NFC") in January 2022, for \$100 thousand.

The Company acquired 100% equity interest in Ri Fu Green Co., Ltd. (Ri Fu) in July 2022, at investment amount of \$100 thousand. At the same time, the Company increased its investment in Ri Fu in July 2022, at investment amount of \$2,500 thousand.

For business purposes, the Company acquired a total of 99% equity interest in Huiju at a cash consideration of \$5,100 thousand and \$4,998 thousand in May and June 2022, respectively, and the remaining 60% equity interest in Ri Yun at a cash consideration of \$96,600 thousand in June 2022.

The following table summarizes the fair value of identifiable assets acquired on the above acquisition date and liabilities assumed at the acquisition date:

	<u>2023</u>	<u>2023</u>
Cash and cash equivalents:	\$ 297,677	4,146
Notes and accounts receivable, net	3,581	46,628
Inventories	985	-
Other receivables due from related parties	-	11,959
Other current assets	4,395	40,857
Property, plant and equipment	64,899	37,163
Intangible assets	62,513	1,106
Deferred tax assets	6,255	-
Other non-current assets	37,414	121,574
Notes and accounts payable	(55)	(70)
Other payables to related parties	-	(80,955)
Short-term borrowings	(16,500)	(2,440)
Other current liabilities	(9,280)	(2,516)
Long-term notes borrowings (including current portion)	(2,931)	-
Long-term notes payable (including current portion)	-	(7,482)
Non-controlling interests	(84,238)	(90)
	<u>\$ 364,715</u>	<u>169,880</u>

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

The Company subscribed for the cash capital increase of Star Aquaculture Co., Ltd. (Star Aquaculture) in March and September 2023 not in proportion to its shareholding, at investment amount of \$35,000 thousand and \$14,000 thousand, respectively. The shareholding ratio increased from 90% to 97.78% in March 2023 and 97.78% to 98.31% in September 2023. The changes in ownership resulted in an offset of capital surplus of \$(252) thousand and offset of retained earnings of \$(50) thousand.

The Company acquired the remaining of 1% share from shareholders of Huiju in April 2023, at investment amount of \$1,340. The change in ownership resulted in an offset of retained earnings of \$(26) thousand.

The Company subscribed for the cash capital increase of Star Energy Storage Co., Ltd. (SES) in September 2023 not in proportion to its shareholding, at investment amount of \$398,980 thousand, resulting in a reduction of its shareholding ratio from 100% to 67.23%. The change in ownership resulted in the recognition of a capital surplus amounting to \$50 thousand.

The Company acquired 40% equity interest in Daybreak Fishery Management Consultants Co., Ltd. ("DFM") from other shareholders in June 2022, at investment amount of \$2,000 thousand, resulting in an increase in its shareholding ratio from 60% to 100%. The change in ownership resulted in an offset of retained earnings of \$(2,467) thousand.

The Company subscribed for the cash capital increase of Star Energy Storage Co., Ltd. (Star Aquaculture) in November 2022 not in proportion to its shareholding, at investment amount of \$9,000 thousand, which reduced its shareholding ratio from 100% to 90%. The change in ownership resulted in the recognition of capital surplus of \$95 thousand.

The Company subscribed for the cash capital increase of Star Energy Storage Solutions Co., Ltd. (ESS) in December 2022 not in proportion to its shareholding, at investment amount of \$159,900 thousand, which reduced its shareholding ratio from 100% to 80%. The change in ownership resulted in the recognition of capital surplus of \$107 thousand.

#### **B. Loss control of subsidiaries**

The Company had sold all of its shares in Ri Wei Green Co., Ltd. (Ri Wei) to its related party, Star Power with a consideration of \$26,450 thousand in March 2023. The unrealized construction profit of \$7,625 has been realized, resulting in an increase in book value of the long term investment to \$27,101 thousand, and recognized loss on disposal of investment of \$651 thousand.

The Company had sold all of its shares in Yunn Deng Green Co., Ltd. to its related party, Aquastar with a consideration of \$15,000 thousand in April 2023, and recognized a gain on disposal of \$840 thousand.

The Company had sold all of its shares in Wen Deng Green Co., Ltd. and Xin Sheng Energy Develop Co., Ltd. to its related party, Aquastar with a consideration of \$5,000 thousand in September 2023, and recognized a gain on disposal of \$2,061 thousand.

The Company had sold all of its shares in Huiju to its subsidiary, SES with a consideration of \$134,000 thousand in September 2023. The difference between the actual equity price of the disposal subsidiary and its book value of \$1,215 thousand, which was recognized in capital surplus, while Huiju remains a consolidated entity of the Company.

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

The Company had sold all of its shares in Ren Hua Green Co., Ltd. (Ren Hua), Zhong Fang Green Co., Ltd. (Zhong Fang) and Fang Deng Green Co., Ltd. (Fang Deng) in March 2022, and all of its shares in DFM in September 2022, to its related party, Star Power with a total consideration of \$14,690 thousand, and no gain or loss on disposal to be recognized.

The Company had sold all of its shares in NFC in March 2022, and all of its shares in He Shuo and Shin De in December 2022, to third party with a total consideration of \$91,751 thousand, and recognized a gain on disposal of \$367 thousand.

The Company subscribed for the cash capital increase of Aquastar in June 2022 not in proportion to its shareholding, at investment amount of \$59,900 thousand, which reduced its shareholding ratio from 100% to 10%. The shareholding previously held was deemed to be a disposal of investment. The fair value at the date of disposal was \$76 thousand and no gain or loss on disposal to be recognized. The change in ownership resulted in an offset of retained earnings of \$20 thousand.

The Company had sold all of its shares in Ri Yun to its related party, Aquastar with a consideration of \$161,000 thousand in June 2022, and recognized a gain on disposal of \$1,247 thousand.

The Company subscribed for the cash capital increase of Ri Fa in August 2022 not in proportion to its shareholding, which reduced its shareholding ratio from 100% to 40%. The shareholding previously held was deemed to be a disposal of investment. The fair value at the date of disposal was \$47,960 thousand and recognized a gain on disposal of \$60 thousand.

The Company subscribed for the cash capital increase of Star Network in September 2022 not in proportion to its shareholding, which reduced its shareholding ratio from 100% to 49%. The shareholding previously held was deemed to be a disposal of investment. The fair value at the date of disposal was \$107,787 thousand and recognized a gain on disposal of \$14 thousand.

The Company subscribed for the cash capital increase of Yun Deng in December 2022 not in proportion to its shareholding, which reduced its shareholding ratio from 100% to 40%. The shareholding previously held was deemed to be a disposal of investment. The fair value at the date of disposal was \$19,854 thousand and recognized a gain on disposal of \$219 thousand. The investment amount has been transferred to investments accounted for using equity method.

The above gain on disposal is recognized under statement of comprehensive income.

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

The total carrying amount of assets and liabilities of the above-mentioned disposed subsidiaries was as follow:

	<b>2023</b>	<b>2023</b>
Cash and cash equivalents	\$ 24,326	11,129
Other receivables — related parties	824	-
Other receivables — related parties	6,009	11,959
Other current assets	2,980	5,506
Intangible assets	-	60
Property, plant and equipment	62,597	182,614
Right-of-use assets	3,479	3,692
Refundable deposits	13,225	12,130
Deferred income tax assets	-	1,000
Other non-current assets	-	117,025
Notes and Accounts payable to related parties	(45,232)	(42,482)
Long-term borrowings (including current portion)	(15,127)	-
Other current assets	(11,803)	(3,853)
Lease liabilities (current and non-current)	(3,547)	(3,757)
Other non-current liabilities	(1,156)	(814)
	<b>\$ 36,575</b>	<b>294,209</b>

#### (8) Property, plant and equipment

The cost and accumulated depreciations of the Company's property, plant and equipment were as follows:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Transportation equipment</b>	<b>Office equipment</b>	<b>Others</b>	<b>Construction in progress</b>	<b>Total</b>
Costs:								
Balance at January 1, 2023	\$ 124,792	76,665	168,987	27,232	47,063	15,344	2,952	463,035
Additions	287,500	114,529	16,095	3,714	54,497	9,996	10,129	496,460
Reclassification	-	-	1,495	-	1,456	-	(2,951)	-
Balance at December 31, 2023	<b>\$ 412,292</b>	<b>191,194</b>	<b>186,577</b>	<b>30,946</b>	<b>103,016</b>	<b>25,340</b>	<b>10,130</b>	<b>959,495</b>
Balance at January 1, 2022	\$ -	-	85,252	27,059	19,202	5,259	56,025	192,797
Additions	124,792	76,665	27,727	319	9,528	10,167	21,268	270,466
Disposal	-	-	-	(146)	-	(82)	-	(228)
Reclassification	-	-	56,008	-	18,333	-	(74,341)	-
Balance at December 31, 2022	<b>\$ 124,792</b>	<b>76,665</b>	<b>168,987</b>	<b>27,232</b>	<b>47,063</b>	<b>15,344</b>	<b>2,952</b>	<b>463,035</b>
Depreciation:								
Balance at January 1, 2023	\$ -	839	14,758	13,047	11,219	5,231	-	45,094
Depreciation for the year	-	1,768	10,549	5,786	14,028	5,164	-	37,295
Balance at December 31, 2023	<b>-</b>	<b>2,607</b>	<b>25,307</b>	<b>18,833</b>	<b>25,247</b>	<b>10,395</b>	<b>-</b>	<b>82,389</b>
Balance at January 1, 2022	\$ -	-	8,152	7,857	5,840	2,455	-	24,304
Depreciation for the year	-	839	6,606	5,336	5,379	2,858	-	21,018
Disposal	-	-	-	(146)	-	(82)	-	(228)
Balance at December 31, 2022	<b>\$ -</b>	<b>839</b>	<b>14,758</b>	<b>13,047</b>	<b>11,219</b>	<b>5,231</b>	<b>-</b>	<b>45,094</b>



## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Others	Construction in progress	Total
Carrying amounts:								
Balance at December 31, 2023	\$ 412,292	188,587	161,270	12,113	77,769	14,945	10,130	877,106
Balance at December 31, 2022	\$ 124,792	75,826	154,229	14,185	35,844	10,113	2,952	417,941
Balance at January 1, 2022	\$ -	-	77,100	19,202	13,362	2,804	56,025	168,493

In November 2023, the Company entered into a contract to acquire an office building in Taichung. The purchase price (before tax) of the office building was \$26,046 thousand. The registration of ownership was completed in November 2023 and the above payment had been fully paid in November 2023.

In August 2023, the Company entered into a contract to acquire plant and land in Tainan for the Group's operational development purposes. This proposal has been reported to the Board of Directors in August 2023. The purchase price (before tax) of the land and plant were \$268,000 thousand and \$88,483 thousand, respectively. The registration of ownership was completed in October 2023 and the above payment had been fully paid in November 2023.

In March 2022, the Company entered into a contract to acquire office building in Taichung for the Group's operational development purposes. This proposal has been reported to the Board of Directors in May 2022. The purchase price (net of tax) of the land and office building were \$35,420 thousand and \$68,370 thousand, respectively. The registration of ownership was completed in June 2022 and the above payment had been fully paid in June 2022.

In July 2022, the Company entered into a contract to acquire part of the land in Xinsheng Section of Cigu District, Tainan City for the future development and construction of the Group's project purposes. The purchase price of the land was \$44,482 thousand. The registration of ownership was completed in July 2022 and the above payment had been fully paid in July 2022.

In August 2022, the Company entered into a contract to acquire office building in Penghu for business development office purposes. The purchase price (before tax) of the land and office building were \$44,890 thousand and \$8,295 thousand and the purchases were paid in full.

As of December 31, 2023 and 2022, the property, plant, and equipment were pledged as collateral. Please refer to note 8.

#### (9) Right-of-use assets

The Company leases many assets such as land, buildings and transportation equipment. Costs and accumulated depreciation movement about leases for which the Company as a lessee is presented below:

	Land	Buildings and Construction	Transportation equipment	Others	Total
Right-of-use assets, cost:					
Balance at January 1, 2023	\$ 6,557	47,050	12,030	-	65,637
Additions	-	43,161	9,328	348	52,837
Disposal	-	(2,162)	(3,617)	-	(5,779)
Balance at December 31, 2023	\$ 6,557	88,049	17,741	348	112,695

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

	<b>Land</b>	<b>Buildings and Construction</b>	<b>Transportation equipment</b>	<b>Others</b>	<b>Total</b>
Balance at January 1, 2022	\$ -	20,693	4,155	-	24,848
Additions	6,557	27,476	7,875	-	41,908
Disposal	-	(1,119)	-	-	(1,119)
Balance at December 31, 2022	<u>\$ 6,557</u>	<u>47,050</u>	<u>12,030</u>	<u>-</u>	<u>65,637</u>
Depreciation:					
Balance at January 1, 2023	\$ 328	10,934	5,237	-	16,499
Depreciation for the year	328	12,372	4,617	58	17,375
Disposal	-	(2,162)	(3,617)	-	(5,779)
Balance at December 31, 2023	<u>\$ 656</u>	<u>21,144</u>	<u>6,237</u>	<u>58</u>	<u>28,095</u>
Balance at January 1, 2022	\$ -	5,801	3,150	-	8,951
Depreciation for the year	328	5,879	2,087	-	8,294
Disposal	-	(746)	-	-	(746)
Balance at December 31, 2022	<u>\$ 328</u>	<u>10,934</u>	<u>5,237</u>	<u>-</u>	<u>16,499</u>
Carrying amounts:					
Balance at December 31, 2023	<u>\$ 5,901</u>	<u>66,905</u>	<u>11,504</u>	<u>290</u>	<u>84,600</u>
Balance at December 31, 2022	<u>\$ 6,229</u>	<u>36,116</u>	<u>6,793</u>	<u>-</u>	<u>49,138</u>
Balance at January 1, 2022	<u>\$ -</u>	<u>14,892</u>	<u>1,005</u>	<u>-</u>	<u>15,897</u>

As of December 31, 2023 and 2022, the Right-of-use assets of the Company were not pledged as collateral.

(10) Intangible assets

The cost, amortization, revaluation increments and impairment of the intangible assets of the Company for the years ended December 31, 2023 and 2022 were as follows:

	<b>Computer software</b>	<b>Other intangible assets</b>	<b>Total</b>
Cost:			
Balance at January 1, 2023	\$ 15,384	-	15,384
Additions	30,115	60	30,175
Decrease	(120)	-	(120)
Balance at December 31, 2023	<u>\$ 45,379</u>	<u>60</u>	<u>45,439</u>
Balance at January 1, 2022	\$ 5,270	-	5,270
Additions	10,114	-	10,114
Balance at December 31, 2022	<u>\$ 15,384</u>	<u>-</u>	<u>15,384</u>
Amortization:			
Balance at January 1, 2023	\$ 5,491	-	5,491
Amortization	10,018	-	10,018
Balance at December 31, 2023	<u>\$ 15,509</u>	<u>-</u>	<u>15,509</u>
Balance at January 1, 2022	\$ 2,258	-	2,258
Amortization	3,233	-	3,233
Balance at December 31, 2022	<u>\$ 5,491</u>	<u>-</u>	<u>5,491</u>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

	<b>Computer software</b>	<b>Other intangible assets</b>	<b>Total</b>
Carrying amounts:			
Balance at December 31, 2023	\$ <b>29,870</b>	<b>60</b>	<b>29,930</b>
Balance at December 31, 2022	\$ <b>9,893</b>	-	<b>9,893</b>
Balance at January 1, 2022	\$ <b>3,012</b>	-	<b>3,012</b>

As of December 31, 2023 and 2022, the intangible assets of the Company were not pledged as collateral.

(11) Other current assets and other non-current assets

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Prepayments for projects	\$ 707,794	1,029,846
Refundable deposits	356,807	151,413
Restricted deposits—non-current (Note 8)	211,453	85,108
Tax overpaid retained for offsetting the future tax payable	69,791	2,124
Prepayment for equipment and land purchases	24,269	8,385
Other	23,530	14,175
	1,393,644	1,291,051
Less: classified as other current assets	(801,115)	(1,046,145)
Other non-current assets	<b>\$ 592,529</b>	<b>244,906</b>

(12) Short-term borrowings

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unsecured bank borrowings	\$ 924,642	185,000
Secured bank loans	199,569	81,230
Letters of credit	-	21,441
	<b>\$ 1,124,211</b>	<b>287,671</b>
Range of interest rates at the year end	<b>2.40%~2.89%</b>	<b>2.20%~2.60%</b>

The short-term secured bank borrowings as of December 31, 2023 and 2022 were guaranteed by credit guarantee fund and as loans for materials purchases.

Please refer to note 6(29) for the disclosure of interest risk, currency risk and liquidity risk.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(13) Short-term notes and bills payable

<b>December 31, 2023</b>			
	<b>Guarantee or acceptance institution</b>	<b>Range of Interest rate (%)</b>	<b>Amount</b>
Commercial paper payable	Mega Bills	1.83%	\$ 30,000
	China Bills	1.36%	50,000
	Dah Chung Bills	2.03%	50,000
Less: discount			(160)
Total			<b>\$ 129,840</b>

<b>December 31, 2022</b>			
	<b>Guarantee or acceptance institution</b>	<b>Range of Interest rate (%)</b>	<b>Amount</b>
Commercial paper payable	Mega Bills	2.01%	\$ 30,000
Less: discount			(68)
Total			<b>\$ 29,932</b>

As of December 31, 2023 and 2022, there was no short-term notes and bills payable pledged as collateral.

(14) Long-term borrowings

	<b>Loan period</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Secured bank loans	2018.12~ 2042.06	\$ 444,340	131,202
Unsecured bank loans	2018.12~ 2042.06	37,955	41,653
		482,295	172,855
Less: current portion		(32,114)	(11,211)
Total		<b>\$ 450,181</b>	<b>161,644</b>
Range of interest rates at the year end		<b>2.25%~2.70%</b>	<b>2.18%~2.58%</b>

Please refer to note 6(29) for the disclosure of liquidity risk and interest risk. Refer to note 8 for assets pledged as collateral to secure the aforementioned long-term borrowings.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(15) Bonds payable

The details of unsecured convertible bonds were as follows:

	<b>December 31, 2023</b>
Total convertible corporate bonds issued	\$ 1,000,000
Unamortized discounted corporate bonds payable	<u>(126,417)</u>
Corporate bonds issued balance at year-end	<b>\$ 873,583</b>
Embedded derivative - call options, included in financial assets at fair value through profit or loss	<u><b>\$ 1,000</b></u>
Embedded derivative - put options, included in financial liabilities at fair value through profit or loss	<u><b>\$ 6,700</b></u>
Equity component - conversion options, included in capital surplus - stock options	<u><b>\$ 128,013</b></u>
	<b>2023</b>
Embedded derivative instruments – call and put rights, included in financial assets (liabilities) at fair value through profit or loss	<u><b>\$ 3,168</b></u>
Interest expense	<u><b>\$ 10,668</b></u>

The Company issued 10,000 unsecured 3-year zero coupon convertible bonds in Taiwan on September 26, 2023, which totaled \$1,000,000 thousand. The bonds were issued at 100.5%, which totaled \$1,005,000 thousand, with the effective interest rate of 4.925%.

The conversion price was set at \$120 at the time of issue. When the Company's ordinary shares qualify for conversion price adjustment in accordance to the terms of issue, such adjustment will be made based on a formula in accordance with the terms of issue.

From the day following the 3 months after the bond has been issued (December 29, 2023) until the maturity date (August 19, 2026), if the closing price of the Company's ordinary shares listed on the stock exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or if the outstanding of the bonds is less than or equals 10% of the face value, then the Company will redeem the bonds in cash from the bondholders at face value within 5 business days from the base date.

After 2 years from the issue date (September 26, 2024), the bondholders will be able to redeem the bonds at 102.01% of the face value in cash. The Company shall reimburse the bondholders in cash within a period of 5 business day from the base date.

(16) Lease liabilities

The carrying amounts of the Company's lease liabilities were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Current	<u><b>\$ 24,957</b></u>	<u><b>13,247</b></u>
Non-current	<u><b>\$ 60,357</b></u>	<u><b>35,986</b></u>

For the maturity analysis, please refer to note 6(29).

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

The amounts of leases recognized in profit or loss were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Interest expense on lease liabilities	\$ <u>1,175</u>	<u>542</u>
Expenses relating to short-term leases	\$ <u>11,650</u>	<u>19,167</u>

The amounts recognized in the statement of cash flows by the Company was as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Total cash outflow for leases	\$ <u>29,581</u>	<u>28,129</u>

A. Land, buildings and construction, and transportation equipment leases

The Company leases buildings and construction as office premises and leases transportation equipment for terms typically run for 1 to 3 years for the years ended December 31, 2023 and 2022.

B. Other leases

The Company's leases on dormitory and other leases are with contract terms of 1 year or less. These leases qualify as short-term leases and low value asset leases. The Company has elected not to recognize the right-of-use assets and lease liabilities for these leases.

(17) Other current liabilities and other non-current liabilities

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Development service fees payable	\$ 193,200	-
Warranty provisions	41,480	28,405
Labor fees payable	15,387	36,077
Payable on machinery and equipment	9,585	11
Provision for decommissioning, restoration and rehabilitation costs	3,564	1,908
Other	57,694	20,547
Less: classified as other-current liabilities	(277,172)	(57,853)
	<u>\$ 43,738</u>	<u>29,095</u>

Provision for warranty liabilities is recognized for future maintenance costs of project that may arise in future event based on their historical experience and risks that are less predictable in the future.

Provision for decommissioning, restoration and rehabilitation costs is intended to provide for the recovery cost of the power station modules as estimated in accordance with the Regulations for the Management of Setting up Renewable Energy Power Generation Equipment by the Bureau of Energy, Ministry of Economic Affairs. These amounts are based on the scale of the power station and are recognized as a provision for liabilities based on the present value of the estimated decommissioning costs.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(18) Capital and other equity

A. Common stock

As of December 31, 2023 and 2022, the Company's total value of authorized ordinary shares both amounted to \$2,000,000 thousand with par value of \$10 per share. As of December 31, 2023, 100,000 thousand (2022: 85,000 thousand) of ordinary shares were issued.

A resolution was passed during the meeting of Board of Directors held on March 28, 2022 for the issuance of 15,000 thousand ordinary shares for cash, at a price of \$82 per share, with May 16, 2022 as the date of capital increase. In addition, the Company is required to recognize the remuneration cost of the cash capital increase to reserve the shares for employee subscription. Please note 6(19) for details.

A resolution was passed during the meeting of Board of Directors held on December 28, 2022 for the issuance of 15,000 thousand ordinary shares for cash, at a par value of \$10 per share. The issuance of ordinary shares was for the initial listing on the Taiwan Innovation Board. On February 22, 2023, part of the shares were decided to issue at premium price of \$110 by referring to the public underwriting price. The base date for the cash capital increase is on March 2, 2023. The relevant statutory registration procedures have since been completed. In addition, the Company is required to recognize the remuneration cost of the cash capital increase to reserve the shares for employee subscription. Please note 6(19) for details.

Reconciliation of shares outstanding for the years ended December 31, 2023 and 2022, were as follows:

	<b>Ordinary share (in thousands)</b>	
	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	85,000	70,000
Issuance of shares for cash	15,000	15,000
Balance at December 31	<b>100,000</b>	<b>85,000</b>

B. Capital surplus

The components of capital surplus were as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share capital at premium	\$ 3,247,265	1,745,272
Convertible bond options	128,013	-
Difference arising from subsidiary's share price and its carrying value	1,215	-
Effect of disproportionate subscription to long-term equity investment	-	202
	<b>\$ 3,376,493</b>	<b>1,745,474</b>

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

#### **C. Retained earnings**

A resolution was passed during the extraordinary shareholders meeting held on September 28, 2022 to amend the Company's article of incorporation. The amendment to the articles of association stipulated that the cash distribution of earnings shall be made in accordance with the distribution plan approved by the Board of Directors and reported to the stockholders' meeting.

The Company's article of incorporation stipulate that Company's net earnings should first be used for paying taxes and offset the prior years' deficits, if any. Of the remaining balance, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the paid in capital. The remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

The Company is in a growth phase. Before the distribution of dividends, the Company shall first take into consideration its operating environment, business expansion needs, and financial planning for sustainable development, as well as its capital expenditure budget and capital requirements in determining the stock or cash dividends to be paid. The distribution of dividends to shareholders should not be less than 10% of the distributable earnings. Distribution of cash dividends should not be less than 10% of the total dividends. In the event that the Company has a material investment plan and is unable to obtain other funds, the Board may, on the proposal of the Board and pursuant to a resolution by a shareholders' meeting, not issue cash dividends.

#### **(a) Legal reserve**

When a Company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.



**HD RENEWABLE ENERGY CO., LTD.**  
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(b) Earnings distribution

The amounts of cash dividends on the 2022 earnings distribution had been approved during the board meeting on May 10, 2023, as well as the shareholders' meeting on June 30, 2023. The amounts of cash dividends on the 2021 earnings distribution had been approved during the shareholders' meeting on June 30, 2022. The relevant dividend distributions to shareholders were as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Earnings distribution</b>	<b>Price per share (NTD)</b>	<b>Earnings distribution</b>	<b>Price per share (NTD)</b>
Legal reserve	\$ 64,691		\$ 16,481	
Cash dividends to shareholders	400,000	4.00	170,000	2.00
	<b>464,691</b>		<b>186,481</b>	

The 2023 earnings distribution had been approved and proposed during the board meeting on March 7, 2024, as follows:

	<b>2023</b>	
	<b>Earnings distribution</b>	<b>Price per share (NTD)</b>
Legal reserve	\$ 79,461	
Special reserve	96	
Cash dividends to shareholders	408,000	4.08 (Note 1)
Shares dividends to shareholders	25,500	0.25 (Note 2)
	<b>\$ 513,057</b>	

Note 1: The dividend per share may be affected by the number of outstanding shares on the market, and the actual amount per share can be accessed through Market Observation Post System website.

Note 2: The above legal reserve, special reserve and share dividends are subject to the resolution of the shareholders' meeting to be held on June 7, 2024.

The above-mentioned relevant information is available on the Market Observation Post System website.

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**Notes to the Financial Statements**

(19) Share based payment

Cash capital increase reserved for employee subscription

Resolutions for cash capital increase were passed during the meeting of the Board of Directors held on December 28, 2022 and March 28, 2022, both amounted to 15,000 thousand shares. According to article 267 of the R.O.C Company Act, the Company reserves 15% and 10% of the cash capital increase, which consists of 2,250 thousand and 1,500 thousand shares, respectively, for priority subscription by employees of the Company. The Chairman of the Company will be authorized to contact a specific person to subscribe the remaining shares at the issue price if the employees abandon the subscription or fail to subscribe the full amount of shares.

For the years ended December 31, 2023 and 2022, the number of shares subscribed by the employees of the Company were 717 thousand shares and 922 thousand shares, respectively. The fair value of the awarded equity interest on the grant date shall be measured in accordance with the provisions of the IFRS 2 "Share-Based Payment" at \$2.78 per share and \$5.05 per share, respectively. The remuneration costs recognized at the grant date for the years ended December 31, 2023 and 2022, were \$1,993 thousand and \$4,653 thousand, respectively.

The Company used Black-Scholes method in measuring the fair value of the share-based payment at the grant date. The measurement inputs were as follows:

	<b>Cash capital increase reserved for employee subscription</b>	
	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Fair value at the grant date	2.78	5.05
Share price at the grant date	111.97	83.90
Number of options granted	717 thousand shares (note)	922 thousand shares (note)
Exercise price	110	82
The risk-free rate (%)	0.86 %	0.40 %

Note: Employees have declared a total of 1,533 thousand shares and 578 thousand shares to be abandoned prior to the grant date.

(20) Employee benefits

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$7,865 thousand and \$6,075 thousand for the years ended December 31, 2023 and 2022, respectively.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(21) Income taxes

A. Income tax expenses

The components of income tax expense (benefit) in the years 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Current tax expense		
Current period	\$ 206,995	207,391
Additional tax on undistributed earnings	9,270	-
Adjustment for prior years	<u>(3,091)</u>	<u>(1,892)</u>
	213,174	205,499
Deferred tax expense (benefit)		
Temporary differences	<u>(19,105)</u>	<u>(42,513)</u>
	<b><u>\$ 194,069</u></b>	<b><u>162,986</u></b>

The amount of income tax (benefit) recognized in other comprehensive income in 2023 and 2022 were as follows:

	<b>2023</b>	<b>2022</b>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<b><u>\$ 24</u></b>	<u>-</u>

Reconciliation of income tax and profit before tax for 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Profit before income tax	<u>\$ 1,009,480</u>	<u>813,092</u>
Income tax of net profit before tax calculated at the prescribed tax rate	201,896	162,618
Tax effect of permanent differences	(14,006)	2,864
Adjustment for prior years and others	(3,091)	(2,496)
10% unappropriated retained earning	<u>9,270</u>	<u>-</u>
Income tax expense	<b><u>\$ 194,069</u></b>	<b><u>162,986</u></b>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

**B. Recognized deferred tax assets**

Changes in the amount of deferred tax assets for 2023 and 2022 were as follows:

Deferred tax assets

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Unrealized profit from sales	\$ 11,112	40,882	-	51,994	17,034	-	69,028
Exchange differences on translation of foreign financial statement	-	-	-	-	-	24	24
Others	4,131	1,631	-	5,762	2,707	-	8,469
	<u>\$ 15,243</u>	<u>42,513</u>	<u>-</u>	<u>57,756</u>	<u>19,741</u>	<u>24</u>	<u>77,521</u>

Deferred tax liability

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Unrealized profit on investment	\$ -	-	-	-	(2)	-	(2)
Gain on valuation of convertible bonds	-	-	-	-	(634)	-	(634)
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(636)</u>	<u>-</u>	<u>(636)</u>

**C. Assessment of tax**

The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

**(22) Earnings per share**

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share:		
Net income	<u>\$ 815,411</u>	<u>650,106</u>
Weighted-average number of ordinary shares (in thousands)	<u>97,534</u>	<u>79,452</u>
Basic earnings per share (in dollars)	<u>\$ 8.36</u>	<u>8.18</u>

**HD RENEWABLE ENERGY CO., LTD.**  
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	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Diluted earnings per share:		
Net income	815,411	650,106
Interest expense and other income or expense on convertible bonds, net of tax	<u>5,999</u>	<u>-</u>
Net income attributable to ordinary shareholders of the company	<u><b>\$ 821,410</b></u>	<u><b>650,106</b></u>
Weighted-average number of ordinary shares (in thousands)	97,534	79,452
Add: Effect of employee remuneration paid in stock (in thousands)	520	1,933
Effect of conversion of convertible bonds (in thousands)	<u>2,169</u>	<u>-</u>
	<u><b>100,223</b></u>	<u><b>81,385</b></u>
Diluted earnings per share (in dollars)	<u><b>\$ 8.20</b></u>	<u><b>7.99</b></u>

(23) Revenue from contracts with customers

A. Primary geographical market:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Taiwan	<u><b>\$ 5,770,414</b></u>	<u><b>5,052,656</b></u>

B. Major products/services lines:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Construction revenue	<u>\$ 5,639,019</u>	<u>4,897,811</u>
Service revenue	102,128	135,299
Sales revenue	1,981	45
Power electric revenue and others	<u>27,286</u>	<u>19,501</u>
	<u><b>\$ 5,770,414</b></u>	<u><b>5,052,656</b></u>
Timing of revenue recognition:		
Revenue transferred at a point in time	\$ 91,337	142,749
Revenue transferred over time	<u>5,679,077</u>	<u>4,909,907</u>
	<u><b>\$ 5,770,414</b></u>	<u><b>5,052,656</b></u>

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**Notes to the Financial Statements**

C. Contract balances:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Contract assets - construction and equipment	\$ <u><b>3,439,976</b></u>	<u><b>682,215</b></u>	<u><b>720,894</b></u>
Contract liabilities - construction and equipment	\$ <u><b>164,481</b></u>	<u><b>90,869</b></u>	<u><b>316,231</b></u>

The contract liabilities primarily relate to the advance consideration received from customers for construction contracts before the construction begins, for which revenue is recognized progressively during the construction period.

The contract liability balance as at January 1, 2023 was \$90,869 thousand. The amounts of revenue recognized for the year ended December 31, 2023 was included in the contract liability balance at the beginning of the period was \$802 thousand.

The contract liability balance as at January 1, 2022 was \$316,231 thousand. The amounts of revenue recognized for the year ended December 31, 2022 was included in the contract liability balance at the beginning of the period was \$208,377 thousand.

The relevant for details on accounts and notes receivable and its impairment, please refer to note 6(4).

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied by transferring ownership to the customer and the payment to be received. For the years ended December 31, 2023 and 2022, there is no significant changes.

D. The transaction price allocated to the remaining performance obligations

As of December 31, 2023 and 2022, the amount allocated to the remaining performance obligations were \$27,693,194 thousand and \$4,923,512 thousand, respectively. The revenue is recognized progressively based on the progress towards the completion of contract, which is expected to be completed in the next 1 to 3 years.

All consideration from contracts with customers is included in the transaction price presented above.

(24) Remuneration to employees and directors

In accordance with the articles of incorporation, the Company should contribute 5% to 10% of the profit as employee compensation and less than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients of remuneration include the employees of the Company's affiliated companies who meet certain conditions.

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The Company estimated its remuneration to employees amounting to \$53,688 thousand and \$71,481 thousand and directors' remuneration amounting to \$10,737 thousand and \$8,935 thousand for the years ended December 31, 2023 and 2022, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of the remuneration to employees and directors, as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2023 and 2022. The differences between the actual distribution of remuneration to employees and directors, and the amounts estimated in the financial statements, if any, will be accounted for as changes in accounting estimates and will be recognized as profit or loss in the following year.

For the year ended December 31, 2022, the remunerations to employees and directors amounted to \$71,481 thousand and \$8,935 thousand, respectively. The aforementioned remuneration was no difference between the actual amounts and the amounts accrued. The information is available on the Market Observation Post System website. The related information can be accessed from Market Observation Post System website.

(25) Interest income

	<u>2023</u>	<u>2022</u>
Interest income from bank deposits	\$ 12,008	1,914
Other interest income	<u>227</u>	<u>1,279</u>
	<u><b>\$ 12,235</b></u>	<u><b>3,193</b></u>

(26) Other Income

	<u>2023</u>	<u>2022</u>
Net gain from settlement of acquisition of power plant (Note 7)	\$ -	6,399
Recovery of write off accounts	-	3,000
Rent income	2,419	223
Compensation	1,015	-
Other income	<u>3,216</u>	<u>872</u>
	<u><b>\$ 6,650</b></u>	<u><b>10,494</b></u>

(27) Other gains and losses

	<u>2023</u>	<u>2022</u>
Gain on financial assets (liabilities) at fair value through profit\$ and loss (note 6(15))	3,168	-
Foreign exchange gain (losses), net	10,913	(12,095)
Gains on disposals of investments, net	2,249	1,837
Gain recognized in bargain purchase	555	-
Miscellaneous disbursements	<u>(1,900)</u>	<u>(104)</u>
	<u><b>\$ 14,985</b></u>	<u><b>(10,362)</b></u>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(28) Finance Costs

	<u>2023</u>	<u>2022</u>
Interest expense on bank loans	\$ 21,326	11,467
Interest expense on bonds	10,668	-
Discount on short-term notes and bills payable	1,221	220
Interest expense on lease liabilities	1,175	542
Interest expenses on decommissioning liabilities and others	<u>312</u>	<u>53</u>
	<u><u>\$ 34,702</u></u>	<u><u>12,282</u></u>

(29) Financial instruments

A. Credit risk

(a) Exposure to credit risk

The carrying amount of financial assets represent the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The Company's potential credit risk is derived primarily from cash and cash equivalents, restricted bank deposits and accounts receivable. Also, the Company deposits cash and restricted bank deposits in good credit financial institutions. The Company manages credit risk exposure related to each financial institution and believes that there is no significant concentration of credit risk on cash and restricted bank deposits.

The Company's potential credit risk is derived primarily from accounts receivable. The major customers of the Company are centralized in renewable energy power generation industry. To reduce the credit risk of the accounts receivable, the Company has adopted a policy assessing the financial status of the customers and the possibility of collection of receivables on a regular basis. The Company also deal only with reputable parties and, where necessary, obtain collateral to mitigate the risk of financial losses arising from default.

(c) Credit risk of receivables

For credit risk exposure of accounts receivable, please refer to note 6(4).

All of financial assets excluding the above-mentioned accounts receivable are considered to be low risk, and thus, the impairment provision recognized during the period was limited to 12-months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(6).) Please refer to note 6(4) for the movement in loss allowance provision for the years ended December 31, 2023 and 2022.



**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities:

	<u>Carrying value</u>	<u>Contractual Cash flows</u>	<u>Within a year</u>	<u>Over 1 year</u>
<b>Balance at December 31, 2023</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 1,124,211	1,134,964	1,134,964	-
Short-term notes and bills payables	129,840	130,000	130,000	-
Notes and Accounts payable (including related parties)	1,424,175	1,424,175	1,424,175	-
Salary and bonus payable	98,853	98,785	98,785	-
Other payables to related parties	13,887	13,887	13,887	-
Bonds payable	873,583	1,020,100	-	1,020,100
Lease liabilities (current and non-current)	85,314	89,914	26,679	63,235
Long-term borrowings (including current portion)	<u>482,295</u>	<u>529,258</u>	<u>42,404</u>	<u>486,854</u>
	<u><b>\$ 4,232,158</b></u>	<u><b>4,441,083</b></u>	<u><b>2,870,894</b></u>	<u><b>1,570,189</b></u>
<b>Balance at December 31, 2022</b>				
Non-derivative financial liabilities				
Short-term borrowings	\$ 287,671	289,248	289,248	-
Short-term notes and bills payables	29,932	30,000	30,000	-
Notes and Accounts payable (including related parties)	1,044,725	1,044,725	1,044,725	-
Salary and bonus payable	108,838	108,838	108,838	-
Other payables to related parties	44,367	44,367	44,367	-
Lease liabilities (current and non-current)	49,233	52,477	14,357	38,120
Long-term borrowings (including current portion)	<u>172,855</u>	<u>205,348</u>	<u>15,220</u>	<u>190,128</u>
	<u><b>\$ 1,737,621</b></u>	<u><b>1,775,003</b></u>	<u><b>1,546,755</b></u>	<u><b>228,248</b></u>

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C. Interest rate risk

The Company's interest risk arises from the Company's short term and long-term borrowings that bear floating interest rates. The fluctuation of the interest rate will influence the Company's future cash flow due to the changes in effective interest rate of short-term and long-term borrowings. The following sensitivity analysis is based on the exposure to the interest rate risk. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

For the Company's short-term and long-term borrowings that bear the floating interest rates, if the interest rate had increased or decreased by 0.25%, the Company's net income would have decreased or increased by \$4,016 thousand and \$1,151 thousand for the years ended December 31, 2023 and 2022, respectively, assuming all other variable factors remain constant.

D. Fair value of financial instruments

(a) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	Carrying amount	December 31, 2023			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at fair value through profit and loss—current</b>	\$ 1,000	-	1,000	-	1,000
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	1,955,119	-	-	-	-
Notes and accounts receivable, net	70,555	-	-	-	-
Accounts receivables due from related parties	4,952	-	-	-	-
Other receivables due from related parties	25	-	-	-	-
Refundable deposits	356,807	-	-	-	-
Restricted deposits (current and non-current)	253,924	-	-	-	-
	<u>\$ 2,641,382</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Financial assets at FVOCI—non-current</b>	\$ <u>6,700</u>	<u>-</u>	<u>6,700</u>	<u>-</u>	<u>6,700</u>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

		December 31, 2023				
		Carrying value	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 1,124,211	-	-	-	-	-
Short-term notes and bills payables	129,840	-	-	-	-	-
Notes and Accounts payable (including related parties)	1,424,175	-	-	-	-	-
Salary and bonus payable	98,853	-	-	-	-	-
Other payables to related parties	13,887	-	-	-	-	-
Bonds payable	873,583	-	873,583	-	-	873,583
Lease liabilities — current and non-current	85,314	-	-	-	-	-
Long-term borrowings (including current portion)	482,295	-	-	-	-	-
	<u>\$ 4,232,158</u>	<u>-</u>	<u>873,583</u>	<u>-</u>	<u>-</u>	<u>873,583</u>
		December 31, 2022				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 1,227,679	-	-	-	-	-
Notes and accounts receivable, net	17,063	-	-	-	-	-
Accounts receivable due from related parties	12,239	-	-	-	-	-
Other payables due from related parties	8,745	-	-	-	-	-
Refundable deposits	151,413	-	-	-	-	-
Restricted deposits (current and non-current)	278,823	-	-	-	-	-
	<u>\$ 1,695,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current financial assets at FVOCI	\$ 35,000	-	-	35,000	-	35,000

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**Notes to the Financial Statements**

	Carrying value	December 31, 2022			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 287,671	-	-	-	-
Short-term notes and bills payables	29,932	-	-	-	-
Notes and Accounts payable (including related parties)	1,044,725	-	-	-	-
Salary and bonus payable	108,838	-	-	-	-
Other payables to related parties	44,367	-	-	-	-
Lease liabilities—current and non-current	49,233	-	-	-	-
Long-term borrowings (including current portion)	172,855	-	-	-	-
	<b>\$ 1,737,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

For financial assets and financial liabilities measured at amortized cost, if there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The fair value of refundable deposits are based on carrying amount as there is no fixed maturity date.

(c) The reconciliation of Level 3 fair values

	<u>2023</u>	<u>2022</u>
Financial assets at fair value through other comprehensive income—equity investments without an active market		
Balance at January 1	\$ 35,000	-
Net losses recognized in other comprehensive income	(20,589)	-
Purchase	-	35,000
Disposals	(14,411)	-
Balance at December 31	<u>\$ -</u>	<u>35,000</u>

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- (d) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

the Company's financial instruments that use Level 3 inputs to measure fair value is financial assets at FVOCI - equity investments.

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of equity investments without an active market are individually independent, and there is no correlation between them.

Quantified information regarding significant unobservable inputs are as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at FVOCI - equity investments without an active market	Price-to-book (P/B) method	<ul style="list-style-type: none"> <li>The P/B ratio of the peer companies is 4.8 times at December 31, 2022</li> <li>The liquidity discount at December 31, 2022 is 20%</li> </ul>	<p>N/A</p> <p>The higher the P/B ratio, the higher the fair value</p>

There was no transfer between the different levels of fair value hierarchy for the years ended December 31, 2023 and 2022.

(30) Financial risk management

A. Overview

The Company have exposures to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The following likewise discusses the Company's exposure information, objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

#### B. Structure of risk management

The Company's finance department provides services for various business units, planning and coordinating financial market operations, as well as monitors and manages the financial risks associated with the operations by analyzing the internal risk report.

#### C. Credit risk

The credit risk of the Company is mainly due to cash and cash equivalents and receivables, these financial instruments arising from operating activities, as explained in the Company financial statements note 6(29).

#### D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill the contract obligations.

#### E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. The Company's bank deposits, long-term and short-term bank borrowings bear the floating rate and are financial assets and liabilities. The fluctuation in the market interest rate will affect the effective interest rate of bank deposits, long-term and short-term bank borrowings and then influence the Company's future cash flow.

#### (31) Capital management

The Company effectively manages its capital structure to ensure that it has adequate financial resources to sustain proper liquidity, invest in capital expenditures, repay debts, and distribute dividends in accordance with its plan by acquiring a comprehensive understanding and effectively managing significant changes in the external environment, related industry characteristics, and corporate growth plan.

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Total liabilities	4,842,496	2,116,173
Total equity	5,529,492	3,353,956
Interest-bearing liabilities	2,609,929	490,458
Debt-to-equity ratio	88 %	63 %
Interest-bearing debt-to-equity ratio	47 %	15 %

The increase in short-term borrowings, long-term borrowings and issuance of corporate bonds resulted in the total liabilities and debt-to-equity ratio to increase as of December 31, 2023.

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(32) Financing activities not affecting current cash flow

	<b>Short-term borrowings</b>	<b>Short-term notes and bills payable</b>	<b>Long-term borrowings (including current portion)</b>	<b>Bonds payable</b>	<b>Lease liabilities</b>	<b>Total liabilities from financing activities</b>
Balance on January 1, 2023	\$ 287,671	29,932	172,855	-	49,233	539,691
Cash flows	836,540	99,669	309,440	999,750	(16,756)	2,228,643
Non-cash changes:						
Addition of leases	-	-	-	-	52,837	52,837
Interest expense	-	1,221	-	10,668	-	11,889
Others	-	(982)	-	(136,835)	-	(137,817)
Balance on December 31, 2023	<u>\$ 1,124,211</u>	<u>129,840</u>	<u>482,295</u>	<u>873,583</u>	<u>85,314</u>	<u>2,695,243</u>
Balance on January 1, 2022	\$ 279,111	-	111,634	-	16,124	406,869
Cash flows	8,560	29,712	61,221	-	(8,420)	91,073
Non-Cash changes:						
New increase	-	-	-	-	41,529	41,529
Interest expense	-	220	-	-	-	220
Balance on December 31, 2022	<u>\$ 287,671</u>	<u>29,932</u>	<u>172,855</u>	<u>-</u>	<u>49,233</u>	<u>539,691</u>

**7. Related-party transactions:**

(1) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Consolidated Company and its subsidiaries.

(2) Names and relationship with the Company

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Ri Zhi Green Co., Ltd. (Ri Zhi)	Subsidiary of the Company
Ri Wei Green Co., Ltd. (Ri Wei)	Subsidiary of Star Power (Note 13)
HB O&M Co., Ltd. (HB)	Subsidiary of the Company
Xiang Heng Green Co., Ltd. (Xiang Heng)	Subsidiary of the Company
Ru Jing Green Co., Ltd. (Ru Jing)	Subsidiary of the Company
Wen Deng Green Co., Ltd. (Wen Deng)	Subsidiary of Aquastar (Note 14)
Yunn Deng Green Co., Ltd. (Yunn Deng)	Subsidiary of Aquastar (Note 10)
Dan Deng Green Co., Ltd. (Dan Deng)	Subsidiary of the Company
New Century Energy Co., Ltd. (New Century)	Subsidiary of the Company
Chang He Energy Co., Ltd. (Chang He)	Subsidiary of the Company
Ri Xun Green Co., Ltd. (Ri Xun)	Subsidiary of the Company
Shin De Co., Ltd. (Shin De)	Subsidiary of the Company (Note 1)
Star Exchange Co., Ltd. (Star Exchange)	Subsidiary of the Company

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

<b>Name of related parties</b>	<b>Relationship with the Company</b>
You Deng Green Co., Ltd. (You Deng)	Subsidiary of the Company
Titan Asset Management Co., Ltd. (Titan Asset)	Subsidiary of the Company
He Shuo Agriculture Co., Ltd. (He Shuo)	Subsidiary of the Company (Note 1)
Yin Deng Green Co., Ltd. (Yin Deng)	Subsidiary of the Company
Ri Chen Green Co., Ltd. (Ri Chen)	Subsidiary of the Company
Star Energy Storage Solutions Co., Ltd. (ESS)	Subsidiary of the Company
Shin Yuan Energy Co., Ltd. (Shin Yuan)	Subsidiary of the Company
Star Charger Co., Ltd. (Star Charger)	Subsidiary of the Company
Star Network Data Co., Ltd. (Star Network)	Joint venture of the Company (notes 4)
Daybreak FisheryTech Co., Ltd. (DFC)	Subsidiary of the Company
Huiju Energy Co., Ltd. (Huiju)	Subsidiary of the Company
Ying Fa Energy Co., Ltd. (Ying Fa)	Subsidiary of the Company (Note 1)
Star Power Energy Corporation (Star Power)	Joint venture of the Company
Aquastar Energy Co., Ltd. (Aquastar)	Joint venture of the Company (Notes 4)
Ri Yun Green Co., Ltd. (Ri Yun)	Subsidiary of Aquastar (Note 10)
Xin Sheng Energy Develop Co., Ltd. (Xin Sheng)	Subsidiary of the Aquastar (Note 14)
Motech Power Alpha Co., Ltd. (MPA)	Subsidiary of Star Power
Sunny Go Solar Co., Ltd. (Sunny Go)	Subsidiary of Star Power
Da Fu Energy Co., Ltd. (Da Fu)	Subsidiary of Star Power
Fang Deng Green Co., Ltd. (Fang Deng)	Subsidiary of Star Power (Note 6)
Zhong Fang Green Co., Ltd. (Zhong Fang)	Subsidiary of Star Power (Note 6)
Ren Hua Green Co., Ltd. (Ren Hua)	Subsidiary of Star Power (Note 6)
Daybreak Fishery Management Consultants Co., Ltd. (DFM)	Subsidiary of Star Power (Note 11)
AcTek Energy Co., Ltd. (AcTek)	Associate of the Company (Note 2)
Ri Fa Green Co., Ltd. (Ri Fa)	Associate of the Company (Note 5)
Yun Deng Green Co., Ltd. (Yun Deng)	Associate of the Company (Note 5)
Stellar Energy Technology Inc. (Stellar)	Associate of the Company
Titan Solar Co., Ltd. (Titan Solar)	Corporate director of the Company
Fengyuan Co., Ltd. (Fengyuan)	Same Chairman with the Company
Ding Li Power Technology Co., Ltd. (Ding Li)	Substantive related party of the Company (Note 3)
Ding Li Alloy Co., Ltd. (Ding Li Alloy)	Substantive related party of the Company (Note 3)



**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

<b>Name of related parties</b>	<b>Relationship with the Company</b>
Solarflex Trading Co., Ltd. (Solarflex)	Substantive related party of the Company (Note 3)
AcBel Polytech Inc. (AcBel)	Substantive related party of the Company (Note 2)
AcSacca Solar Energy Co., Ltd. (AcSacca)	Substantive related party of the Company (Note 2)
Kang Yang New Energy Co., Ltd. (Kang Yang New)	Substantive related party of the Company (Note 2)
GreenRock Energy Co., Ltd. (GreenRock)	Substantive related party of the Company (Note 7)
Ridong Technology Fisheries Co., Ltd. (Ri Dong)	Substantive related party of the Company (Note 8)
Firstera International Co., Ltd. (Firstera)	Substantive related party of the Company (Note 9)
Gigastorage Corporation (Gigastorage)	Substantive related party of the Company (Note 5)
Union Hospitality Management Co. Ltd. (Union Hospitality)	Substantive related party of the Company (Note 12)

For information related to subsidiaries and related-parties of the Company, please refer to the consolidated financial statements for the year ended December 31, 2023:

- Note 1: The Company set up Ying Fa in November 2022. In addition, the Company disposed all of its equity interests in Shin De and He Shuo in December 2022 to Heyi International Co., Ltd. and Star Shining Energy Corporation respectively. Accordingly, Shin De and He Shuo has been removed from the Company as a related party since December 2022.
- Note 2: The Company invested in and served as a director of AcTek in April 2021 and resigned as a director of AcTek since March 2022. AcBel is the parent company of AcTek, AcSacca and Kang Yang New of AcTek, respectively. Therefore, since March 18, 2022, AcBel, AcSacca and Kang Yang New has been disassociated from the Company as related parties. The Company sold all of its shares in AcTek in December 2022; therefore, AcTek has been not a related party of the Company since December 2022.
- Note 3: Ding Li, Ding Li Alloy and Solarflex are all associates of investees of Titan Solar.
- Note 4: Aquastar and Star Network were originally subsidiaries of the Company. Nonetheless, in June and September 2022, the shareholding ratio of Aquastar and Star Network decreased to 10% and 49%, respectively, as a result of the Company's subscription for the cash capital increase in both companies not being proportional to its shareholding. Therefore, Aquastar and Star Network have become joint ventures of the Company. In addition, the liquidation of Star Network has been completed in May 2023.

## **HD RENEWABLE ENERGY CO., LTD.**

### **Notes to the Financial Statements**

- Note 5: In August and December 2022, the Company subscribed for the cash capital increase of Ri Fa and Yun Deng, respectively, which was not proportional to its shareholding. Therefore, the shareholding ratio of Ri Fa and Yun Deng were both reduced to 40% and they became associates of the Company. In addition, Gigastorage is the parent company of Ri Fa and is thus a related party of the Company.
- Note 6: The Company sold all of its shares in Fang Deng, Zhong Fang and Ren Hua to Star Power in March 2022, please refer to note 6(7) for details.
- Note 7: GreenRock was a director of Huiju, a subsidiary of the Company acquired in June 2022 and GreenRock resigned as a director of Huiju in November 2022. Therefore, GreenRock has not been considered a related party of the Company since that date.
- Note 8: Ri Dong was originally a director of DFM, a subsidiary of the Company. The Company sold it to Star Power, a joint venture of the Company on September 30, 2022, therefore, Ri Dong is no longer a related party of the Company.
- Note 9: Firstera was originally a director of DFM, a subsidiary of the Company. The Company sold DFM to Star Power, a joint venture of the Company on September 30, 2022, therefore, Firstera is no longer a related party of the Company.
- Note 10: The Company sold all the shares of its subsidiary, Ri Yun and Yunn Deng to Aquastar in June 2022 and April 2023, respectively.
- Note 11: The Company disposed all of its equity interest in DFM to Star Power in September 2022 and it became a subsidiary of Star Power.
- Note 12: Union Hospitality has served as a Chairman of Yun Deng since January 2023, an associate of the Company.
- Note 13: The Company disposed all of its shares in Ri Wei to Star Power in March 2023. Please refer to note 6(7) for details.
- Note 14: The Company disposed all of its shares in Wen Deng and Xin Sheng to Aquastar in September 2023. Please refer to note 6(7) for details.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

(3) The Company's significant related party transactions and balances were as follows:

A. Operating revenue and Receivables from related parties

		<b>Operating revenue</b>	
		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Subsidiaries of the joint venture			
Ri Yun	\$	1,252,979	1,278,843
Xin Sheng		613,260	-
Ren Hua		33,119	507,986
Da Fu		180	1,182,628
Zhong Fang		180	542,891
Fang Deng		180	540,928
Others		435,453	16,903
Subsidiaries		62,946	88,544
Associates		-	198,419
Joint ventures		6,475	57,647
Other related parties		(8,826)	605
	\$	<u><b>2,395,946</b></u>	<u><b>4,415,394</b></u>
		<b>Receivables from related parties</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
Subsidiaries of the joint venture			
Ri Yun	\$	-	12,212
Subsidiary		<u>4,952</u>	<u>27</u>
	\$	<u><b>4,952</b></u>	<u><b>12,239</b></u>

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

		<b>Construction receivables from related parties (recognized as contract assets)</b>	
		<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries of the joint venture			
Xin Sheng	\$	613,260	-
Ri Yun		420,065	34,081
Da Fu		61,608	184,808
Fang Deng		54,381	79,988
Zhong Fang		52,461	77,974
Others		497,397	89,807
Subsidiary		10,295	46,211
Joint ventures		<u>2,737</u>	<u>2,737</u>
	\$	<u><b>1,712,204</b></u>	<u><b>515,606</b></u>
		<b>Advances of construction from related parties (recognized as contract liabilities)</b>	
		<b>December 31, 2023</b>	<b>December 31, 2022</b>
Subsidiaries of the joint venture		\$ 10,504	-
Subsidiaries			
Dan Deng		26,455	26,694
Others		10,500	161
Other related parties			
Gigastorage		<u>1,235</u>	<u>37,874</u>
	\$	<u><b>48,694</b></u>	<u><b>64,729</b></u>

The selling price and payment terms for sales to related parties and contractual constructions undertaken for the related parties by the Company were negotiated between both parties, and were not materially different from those with third parties.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

B. Purchases, costs of engineering and payables to related parties

		<b>Purchases</b>	
		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Associates			
Stellar	\$	745,889	-
Subsidiaries		84,301	-
Other related parties			
Gigastorage		-	476,323
	\$	<u><b>830,190</b></u>	<u><b>476,323</b></u>
		<b>Cost of services and engineering</b>	
		<b>For the years ended December 31,</b>	
		<b>2023</b>	<b>2022</b>
Subsidiaries			
Star Aquaculture	\$	30,000	-
Others		5,492	-
	\$	<u><b>35,492</b></u>	<u><b>-</b></u>
		<b>Payables to related parties</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2023</b>	<b>2022</b>
Associates			
Stella	\$	645,722	-
Subsidiaries			
ESS		88,517	-
Subsidiaries of the joint venture		4	-
Other related parties			
Gigastorage		-	469,235
	\$	<u><b>734,243</b></u>	<u><b>469,235</b></u>

The Company purchased battery cabinets from related party due to construction project in 2023, as of December 31, 2023, the prepayments to suppliers was \$21,340.

The purchase price and payment terms for equipment, parts, and procurement of construction contracts from related parties are negotiated between both parties and the payment period is pursuant to the contract terms. There were not materially different from those with third parties.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

C. Property transactions

The Company purchased machine equipment from Titan Solar in 2022 amounting to \$58,653 thousand (before tax). As of December 31, 2023 and 2022, the amount of payables to Titan Solar arising from the above transactions were \$0 thousand and \$39,576 thousand (recognized as other payables to related parties). The sales revenue and related expenses arising from the prior acquisition of parallel power generation as required by the contract should be settled by the Company and it resulted in other income of \$6,399. For the years ended December 31, 2023 and 2022, the above transaction resulted in receivables of \$0 thousand \$6,719 thousand, respectively. (classified as other receivables related party).

The Company purchased software and technical services from BESEYE in 2023 amounting to \$20,000 thousand (recognized as intangible assets).

The Company disposed of 100% equity interests in Ren Hua, Zhong Fang and Fang Deng to Star Power in March 2022, at a disposal price of \$951 thousand, \$935 thousand and \$8,346 thousand, respectively.

The Company acquired 40% of equity interests from DFM's shareholders in which Ri Dong is a director of DFM, and Firstera is the supervisor of DFM for \$2,000 thousand in June 2022.

The Company sold all of its equity interests in Ri Yun to Aquastar, at a disposal price of \$161,000 thousand and recognized gain on disposal of \$1,247 thousand on June 29, 2022.

The Company invested \$107,800 thousand in August 2022 to acquire 49% of the equity interest in Ankang Data Co., Ltd. (Ankang). In September 2022, the joint venture partner of Ankang participated in a cash capital increase of the Company's subsidiary, Star Network, acquiring 51% of the equity interest. Based on strategic management considerations, both parties agreed to an arrangement of Star Network purchasing 100% equity interest of Ankang. Consequently, the Company sold its entire equity stake in Ankang at a book value of \$107,772 thousand.

The Company disposed 100% of its shares in DFM to Star Power in September 2022 at a disposal price of \$4,459 thousand and recognized a gain on disposal amounting to \$0 thousand.

The Group disposed all equity interest in Ri Wei to Star Power in March 2023 at a disposal price of \$26,450 thousand and recognized a loss on disposal amounting to \$651 thousand.

The Group disposed all equity interest in Yunn Deng to Aquastar in April 2023 at a disposal price of \$15,000 thousand and recognized a gain on disposal amounting to \$840 thousand.

The Group disposed all equity interest in Wen Deng and Xin Sheng to Aquastar in September 2023 at a disposal price of \$5,000 thousand and recognized a gain on disposal amounting to \$2,061 thousand.

The Company sold 100% of its equity interest in Huiju to SES with a consideration of \$134,000 thousand in September 2023. The difference between the disposal price and the book value of the investment of \$1,215 thousand was recognized as an addition of the capital surplus.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

**D. Loans to related parties**

The details on loans to the related parties for working capital requirements are as follows (recognized as other receivables due from related parties):

<b>For the years ended December 31, 2023</b>				
<b>Name of related party</b>	<b>Highest balance of financing to related parties (note)</b>	<b>Ending balance of actual usage amount</b>	<b>Interest income</b>	<b>Interest receivable</b>
Subsidiaries	\$ 32,000	-	60	-
Subsidiaries of joint venture	11,000	-	46	-
Associates	3,000	-	6	-
	<b>\$ 46,000</b>	<b>-</b>	<b>112</b>	<b>-</b>
<b>For the years ended December 31, 2022</b>				
<b>Name of related party</b>	<b>Highest balance of financing to related parties (note)</b>	<b>Ending balance of actual usage amount</b>	<b>Interest income</b>	<b>Interest receivable</b>
Subsidiaries	\$ 111,500	1,000	815	1
Subsidiaries of joint venture	57,500	-	-	-
Associates	20,000	1,000	-	5
	<b>\$ 189,000</b>	<b>2,000</b>	<b>815</b>	<b>6</b>

Note: The highest balance approved by the Board of Directors.

**E. Guarantee**

In July 2022, Star Charger applied for a loan amounting to \$128,200 thousand to purchase equipment of charging stations. The Company provided an endorsement guarantee to Star Charger in order to apply for a loan from the bank.

In April 2023, the Company provided an endorsement guarantee of \$330,000 thousand to Huiju in response to Huiju's financing needs for the construction of energy storage project.

**F. Refundable deposits**

As of December 31, 2023 and 2022, the bid bond paid to other related parties by the Company due to construction project were \$0 thousand and \$2,400 thousand, and classified as refundable deposits.

As of December 31, 2023 and 2022, the deposits paid to other related parties by Company for rental of right-of-use assets were \$238 thousand and \$0 thousand, and classified as refundable deposits.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

G. Rental income

The Company leased its plant, ancillary equipment and land to its associate for the period from November 1, 2023 to June 30, 2024 at a monthly rental of \$1,200 thousand, and payable monthly. Guarantee deposits of \$2,400 thousand was received from the associate. As of December 31, 2023, all rental income has been received from the associate. For the year ended December 31, 2023, the electricity expenses generated from the mentioned plant were charged to the associate. As of December 31, 2023, the receivables amount due from the associate was \$25 thousand (recorded as other receivables due from related parties).

H. Various expenses

(a) Rental expenses

The Company entered into office lease contracts with other related parties in May 2021 for the term from May 1, 2021 to July 31, 2025 at an annual rent of \$1,800 thousand, and payable on a monthly basis. Depreciation charges recognized for the years ended December 31, 2023 and 2022 were both \$1,638 thousand and interest expenses amounting to \$75 thousand and \$111 thousand. The balance of the right-to-use assets as of December 31, 2023 and 2022 were \$2,594 thousand and \$4,232 thousand, respectively. The balances of the lease liabilities were \$2,670 thousand and \$4,309 thousand, respectively. The payables arising from the above transactions were \$150 thousand as of December 31, 2023 and 2022. (classified as other payables to related parties).

The Company entered into office lease contracts with other related parties in January 2023 for the term from January 1, 2023 to December 31, 2025 at an annual rent of \$1,426 thousand and payable on a monthly basis. Depreciation charges recognized for the years ended December 31, 2023 was \$1,381 thousand and interest expenses amounting to \$75 thousand. The balance of the right-to-use assets as of December 31, 2023 was \$2,762 thousand and the lease liabilities was \$2,792 thousand.

(b) Other expenses

As of December 31, 2023 and 2022, the balances of payables recognized in other current liabilities arising from subsidiary paying for project site construction expenses on behalf of the Company are amounted to \$867 thousand, and \$1,092 thousand, respectively.

The total prices of the misc products purchased from the other related parties are \$295 thousand and \$103 thousand as of December 31, 2023 and 2022, respectively.

The company entrusted its subsidiaries to develop software, as of December 2023, the research and development expenses generated from the mentioned plant were 11,712 thousand.



**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

I. Various advances

As of December 31, 2023 and 2022, the amounts to related parties from the payment on behalf of another party are as follows:

<u>Name of related party</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries		
ESS	\$ 12,870	-
Others	-	21
Subsidiary of joint venture	-	3,528
	<u>\$ 12,870</u>	<u>3,549</u>

J. Other income

For the year ended December 31, 2022, the Company disposed of miscellaneous purchases to subsidiaries and recognized other income amounting to \$19 thousand. As of December 31, 2022, the receivables arising from the above transactions amounted to \$20 thousand (classified as other receivables related parties).

(4) Key management personnel compensation

Key management personnel compensation comprised as follows:

	<u>For the years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 44,609	20,726
Post-employment benefits	324	324
	<u>\$ 44,933</u>	<u>21,050</u>

**8. Assets pledged as security:**

The carrying values of assets pledged as security were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Restricted time deposits (note)	Long-term borrowings and guarantee for engineering projects	\$ 253,924	278,823
Machinery and equipment	Collateral for long-term bank loans	121,490	70,982
Land	Collateral for long-term bank loans	80,310	80,310
Buildings and construction	Collateral for long-term bank loans	74,292	75,826
Total		<u>\$ 530,016</u>	<u>505,941</u>

Note: Classified under other current assets and other non-current assets.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

**9. Commitments and contingencies:**

- (1) As of December 31, 2023 and 2022, the Company provided performance guarantee and warranty guarantee totaling \$687,617 thousand and \$388,944 thousand, respectively, for undertaking a solar power generation system project.
- (2) For the guarantees endorsements provided by the Company to its subsidiaries and associates, please refer to notes 7 and note 13(1) - Table 2.
- (3) Please refer to note 6(23) for the contracts of outstanding major contractual works that have been entered into by the Company.
- (4) The Company procured solar photovoltaic system equipment, wire chase hangers, booster station supports, and commissioned solar photovoltaic system steel structures, solar photovoltaic modules installation and reinforcement works from LEADERTECH GLOBAL CO., LTD. ("Leadertech"). In 2022, Leadertech requested payment for the construction work and late penalty from the Company, totaling \$19,363 thousand, along with statutory interest. The Company claimed that due to significant concealed cracks and scratches on the modules in the field during its construction period, the Company had the right to defer the payment of penalty based on the clauses as stipulated in the contract. Additionally, the Company had the right to offset the payment with the module damages. At present, the matter is being handled by a lawyer. The Company assessed that the above events will not have a material impact on the Company's operations.

**10. Losses due to major disasters: None.**

**11. Subsequent events: None.**

**12. Other:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	For the years ended December 31, 2023			For the years ended December 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	51,635	162,502	214,137	52,711	159,836	212,547
Labor and health insurance	5	12,006	12,011	2,616	8,419	11,035
Remuneration of directors	-	10,737	10,737	-	8,935	8,935
Pension	2,255	5,610	7,865	1,733	4,342	6,075
Other employee benefits expense	3,191	10,070	13,261	2,198	5,248	7,446
Depreciation	20,837	33,833	54,670	14,570	14,742	29,312
Amortization	1,981	8,037	10,018	1,071	2,162	3,233

## HD RENEWABLE ENERGY CO., LTD.

### Notes to the Financial Statements

The information about number of employees and employee benefit expenses for the years ended December 31, 2023 and 2022 were as follows:

	<b>For the years ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Number of employees	<u>173</u>	<u>143</u>
Number of directors who were not holding as a position of employee	<u>5</u>	<u>5</u>
The average employee benefits	<u>\$ 1,472</u>	<u>1,718</u>
The average employee salary	<u>\$ 1,275</u>	<u>1,540</u>
The average of salary adjust rate	<u>(17)%</u>	

The Company's remuneration policy (including directors, managers and employees) is as follows:

- (1) Directors' remuneration: In accordance with the Company's "Directors' and Managers' Remuneration Scheme", the distribution of directors' remuneration is proposed by the Chairman and submitted to the Remuneration Committee for approval.
- (2) Employees and managers' remuneration and annual bonuses: In accordance with the Company's "Directors' and Managers' Remuneration Scheme" and with reference to a combination of factors such as seniority and performance.
- (3) The Company has established an audit committee to replace the supervisory system.

### 13. Other disclosures:

- (1) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

- A. Loans to other parties: Please refer to Table 1.
- B. Guarantees and endorsements provided: Please refer to Table 2.
- C. Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures): None.
- D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 3.
- E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4.
- F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

**HD RENEWABLE ENERGY CO., LTD.**  
**Notes to the Financial Statements**

- G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 5.
- H. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- I. Information about the derivative financial instruments transaction: None.
- (2) Information on investees (excluding information on investees in Mainland China): Please refer to Table 6.
- (3) Information on investment in Mainland China: None
- (4) Information of major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Titan Solar		11,326,144	11.32 %
Fubon Financial Holding Venture Capital Co., Ltd.		7,441,177	7.44 %
Yuan Ruyi Co., Ltd.		7,177,448	7.17 %
Hong Cheng Investment Co., Ltd.		5,888,792	5.88 %

Note: A. Information about the substantial shareholders of this form is provided by the Taiwan Depository & Clearing Corporation on the last business day of each quarter. It calculated the total number of shares held by shareholders owing ordinary shares and special shares have been delivered without physical media (including treasury shares) more than 5%. As to the difference of the basis of the calculation, the number of shares recorded in the Company's financial reports and shares not physically registered as delivered by the Company may vary.

- B. The above information, in the case of a shareholder's delivery of shares to a trust, is disclosed by the individual sub-account of the principal who opened the trust in favor of the trustee. As to the declaration of the shareholders' shareholding of an insider in excess of 10% by virtue of the Securities Trading Act, the shareholding of the shareholders includes the addition of the shares of the shareholders in trust and the shareholder have right in the decision regarding the use of these kind of trust properties, and so on. For information on the declaration of the equity interest of the insider, please refer to the Public Information Observatory.

**14. Segment information:**

Please refer to the consolidated financial statements for the year ended December 31, 2023.

**HD Renewable Energy Co., Ltd.**  
**Loans to other parties**  
**For the year ended December 31, 2023**

Table 1

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing
													Item	Value		
0	HD	Xiang Heng	Other receivables - related parties	Yes	2,000	2,000	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Wen Deng	Other receivables - related parties	Yes	10,000	-	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Yunn Deng	Other receivables - related parties	Yes	1,000	-	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Yun Deng	Other receivables - related parties	Yes	3,000	-	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Ri Chen	Other receivables - related parties	Yes	9,000	9,000	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Ri Xun	Other receivables - related parties	Yes	1,000	1,000	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Shin De	Other receivables - related parties	No	10,000	-	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797
0	HD	Star Aquaculture	Other receivables - related parties	Yes	20,000	20,000	-	2.741%-3.119%	2	-	Operating capital	-	None	-	552,949	2,211,797

Note 1: The total amount of the capital loan shall not exceed 40% of the net worth of HD individual loans and limits are as follows:

(1) For those companies with business transactions with HD, the amount of each fund financing shall not exceed the amount of both parties business transaction.

(2) For those companies with short-term financing needs, the individual loan is limited to 10% of the net worth of HD.

Note 2: The nature of financing purposes: 1.Represents entities with business transaction with HD. 2.Represents where an inter-company or inter firm short-term financing facility is necessary.

**HD Renewable Energy Co., Ltd.**  
**Guarantees and endorsements provided**  
**For the year ended December 31, 2023**

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	HD	Star Charger	Subsidiaries	44,235,936	128,200	128,200	-	-	2.32 %	44,235,936	Y	N	N
0	HD	Huiju	Subsidiary of SES	44,235,936	330,000	330,000	330,000	-	5.97 %	44,235,936	Y	N	N
1	SES	Huiju	Subsidiary of SES	6,904,872	4,100,000	4,100,000	701,275	1,496,910	712.54 %	6,904,872	Y	N	N

Note 1 : The total amount of guarantees endorsements provided by HD shall not exceed 800% of the net worth of HD's latest financial statements. If the Companies engages in guarantees endorsements for business relationship, total amount of guarantees endorsements shall not exceed the latest signed total transaction amount (the transaction referring to the higher of sales or purchase amount), and is subject to the limitations of the total amount of the guarantees endorsements.

Note 2 : The total amount of guarantees endorsements provided by SES shall not exceed 12 times of its net worth. The total amount of guarantees endorsements provided by SES to any individual entity shall not exceed 12 times of SES's net worth.

**HD Renewable Energy Co., Ltd.**

**Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock**  
**For the year ended December 31, 2023**

Table 3

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
The Company	SES	Investments accounted for using equity method	-	Parent and subsidiary	102	986	39,898	398,980	-	-	-	-	40,000	386,828

Note 1: The ending balance included the amount of investment gains and losses and other adjustments in the current period.

Note 2: Purchases during the period were issued for cash.

**HD Renewable Energy Co., Ltd.**

**Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock**

**For the year ended December 31, 2023**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and plant located in Tainan, Taiwan.	August 8, 2023	350,000 (before tax)	Fully paid up	DAIKURE TAIWAN CO., LTD.	Non-related parties	-	-	-	-	Real Estate Appraiser's Identification Report	For operational purpose	None



**HD Renewable Energy Co., Ltd.**

**Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock**

**For the year ended December 31, 2023**

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase /Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Ri Yun	the subsidiary of joint venture of the company	Sale	(1,252,979)	(22)%	Note 1	-	Note 1	-	-%	
The Company	Xin Sheng	the subsidiary of joint venture of the company	Sale	(613,260)	(11)%	Note 1	-	Note 1	-	-%	
The Company	Wen Deng	the subsidiary of joint venture of the company	Sale	(266,058)	(5) %	Note 1	-	Note 1	-	-%	
The Company	Yunn Deng	the subsidiary of joint venture of the company	Sale	(177,218)	(3) %	Note 1	-	Note 1	-	-%	
The Company	Stellar	Associates of the company	Purchase	745,889	23 %	Note 1	-	Note 1	(645,722)	(45)%	

Note 1: The purchase (sales) conditions of the products above are based on the product type, market price competition and other trading conditions, and the selling price are agreed by both parties. The payment period is also in accordance with the contract.

Note 2: A one-way representation is made only in respect of companies that recognize revenue and assets.

**HD Renewable Energy Co., Ltd.**  
**Information on investees (excluding information on investees in Mainland China)**  
**For the year ended December 31, 2023**

Table 6

(In Thousands of New Taiwan Dollars/other currencies)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	You Deng	Taiwan	Energy technology Service	400	400	40	100.00 %	284	1	1	Subsidiaries
The Company	Ri Zhi	Taiwan	Energy technology Service	8,000	8,000	800	100.00 %	7,418	(214)	(214)	Subsidiaries
The Company	Ri Wei	Taiwan	Energy technology Service	-	10,000	-	-	-	1,499	1,499	Note 1
The Company	HB	Taiwan	Energy technology Service	30,000	30,000	3,000	100.00 %	65,313	30,816	30,816	Subsidiaries
The Company	Xiang Heng	Taiwan	Energy technology Service	67,125	67,125	3,900	100.00 %	36,025	(165)	(165)	Subsidiaries
The Company	Ri Yu	Taiwan	Energy technology Service	11,000	5,300	1,100	100.00 %	10,847	(2)	(2)	Subsidiaries
The Company	Ri Xi	Taiwan	Energy technology Service	50,000	400	5,000	100.00 %	49,730	(156)	(156)	Subsidiaries
The Company	Ru Jing	Taiwan	Energy technology Service	2,000	2,000	200	100.00 %	1,560	7	7	Subsidiaries
The Company	Ri Lu	Taiwan	Energy technology Service	2,500	2,500	250	100.00 %	3,023	419	419	Subsidiaries
The Company	Ri Pu	Taiwan	Energy technology Service	400	400	40	100.00 %	282	1	1	Subsidiaries
The Company	Wen Deng	Taiwan	Energy technology Service	-	50,000	-	-	-	(167)	(167)	Note 1
The Company	Yunn Deng	Taiwan	Energy technology Service	-	15,000	-	-	-	(60)	(60)	Note 1
The Company	Titan Asset	Taiwan	Energy technology Service	100	100	10	100.00 %	15	-	-	Subsidiaries
The Company	Yin Deng	Taiwan	Energy technology Service	100	100	10	100.00 %	41	-	-	Subsidiaries
The Company	Dan Deng	Taiwan	Energy technology Service	1,500	1,500	150	100.00 %	1,361	(7)	(7)	Subsidiaries
The Company	Ri Fu	Taiwan	Energy technology Service	2,600	2,600	260	100.00 %	2,567	(7)	(7)	Subsidiaries
The Company	Ri Chen	Taiwan	Energy technology Service	13,000	600	1,300	100.00 %	12,771	(26)	(26)	Subsidiaries
The Company	New Century	Taiwan	Energy technology Service	10,000	10,000	-	100.00 %	9,563	(234)	(234)	Subsidiaries
The Company	Chang He	Taiwan	Energy technology Service	16,000	5,100	1,600	100.00 %	8,368	744	542	Subsidiaries
The Company	Star Exchange	Taiwan	Renewable energy electricity sales	40,000	20,000	4,000	100.00 %	43,085	2,663	2,663	Subsidiaries
The Company	Ri Xun	Taiwan	Energy technology Service	7,000	5,400	700	100.00 %	6,563	(102)	(102)	Subsidiaries
The Company	ESS	Taiwan	Energy technology Service	160,000	160,000	16,000	80.00 %	189,107	41,451	33,161	Subsidiaries
The Company	Shin Yuan	Taiwan	Energy technology Service	100	100	10	100.00 %	51	(8)	(8)	Subsidiaries

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	Xin Sheng	Taiwan	Energy technology Service	-	2,000	-	100.00 %	-	(256)	(256)	Note 1
The Company	DFC	Taiwan	Energy technology Service	600	600	60	100.00 %	329	(68)	(68)	Subsidiaries
The Company	Star Charger	Taiwan	Energy technology Service	50,000	10,000	5,000	100.00 %	33,901	(17,045)	(17,045)	Subsidiaries
The Company	Tian Hua	Taiwan	Energy technology Service	8,000	100	800	100.00 %	5,281	(2,692)	(2,692)	Subsidiaries
The Company	Tian Fang	Taiwan	Energy technology Service	4,000	100	400	100.00 %	3,290	(684)	(684)	Subsidiaries
The Company	Tian Tai	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(18)	(18)	Subsidiaries
The Company	Tian Jie	Taiwan	Energy technology Service	100	100	10	100.00 %	64	(10)	(10)	Subsidiaries
The Company	Tian Xi	Taiwan	Energy technology Service	3,500	100	350	100.00 %	3,468	(6)	(6)	Subsidiaries
The Company	Tian Hui	Taiwan	Energy technology Service	100	100	10	100.00 %	64	(10)	(10)	Subsidiaries
The Company	Tian Yi	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(17)	(17)	Subsidiaries
The Company	Tian Cheng	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(18)	(18)	Subsidiaries
The Company	Tian Dong	Taiwan	Energy technology Service	100	100	10	100.00 %	64	(10)	(10)	Subsidiaries
The Company	Tian Chang	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(17)	(17)	Subsidiaries
The Company	Tian Yu	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(18)	(18)	Subsidiaries
The Company	Tian Yong	Taiwan	Energy technology Service	4,500	100	450	100.00 %	4,464	(10)	(10)	Subsidiaries
The Company	Tian Hong	Taiwan	Energy technology Service	100	100	10	100.00 %	56	(17)	(17)	Subsidiaries
The Company	Tian Sheng	Taiwan	Energy technology Service	100	100	10	100.00 %	64	(10)	(10)	Subsidiaries
The Company	SES	Taiwan	Energy technology Service	400,000	1,020	40,000	67.23 %	386,828	(15,852)	(10,695)	Note 4
The Company	Star Aquaculture	Taiwan	Fisheries and aquaculture	58,000	9,000	5,800	98.31 %	59,294	1,046	1,197	Note 5
The Company	Huiju	Taiwan	Energy technology Service	-	102,960	-	-	-	(2,621)	(2,265)	Note 1
The Company	Ying Fa	Taiwan	Energy technology Service	990	990	99	99.00 %	733	(136)	(136)	Subsidiaries
The Company	BESEYE	Taiwan	Energy technology Service	120,589	-	24,287	100.00 %	120,199	39,933	20,199	Subsidiaries
The Company	Ju Wang	Taiwan	Energy technology Service	50,000	-	5,000	100.00 %	49,861	(139)	(139)	Subsidiaries
The Company	Shin Bei	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries
The Company	Shin Chen	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries
The Company	Shin He	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries
The Company	Shin Duo	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries
The Company	Shin Ting	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Net income (losses) of investee	Share of profits/ losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of Ownership	Carrying value			
The Company	Shin Jian	Taiwan	Energy technology Service	100	-	10	100.00 %	89	(11)	(11)	Subsidiaries
The Company	Rui Yang	Taiwan	Energy technology Service	196,000	-	19,600	70.00 %	196,606	73	51	Note 6
The Company	Lanjing	Taiwan	Energy technology Service	374	-	37	100.00 %	386	12	12	Subsidiaries
The Company	Landian	Taiwan	Energy technology Service	300	-	30	100.00 %	306	6	6	Subsidiaries
The Company	Ri Chu	Taiwan	Energy technology Service	100,000	-	10,000	100.00 %	99,856	(144)	(144)	Subsidiaries
The Company	Li Tong	Taiwan	Energy technology Service	41,977	-	4,200	100.00 %	41,878	(100)	(99)	Subsidiaries
The Company	HD Japan	Japan	Energy technology Service	43,451	-	4	100.00 %	42,274	(1,057)	(1,057)	Subsidiaries
				<u>1,505,706</u>	<u>524,595</u>			<u>1,498,054</u>	<u>76,502</u>	<u>53,919</u>	
The Company	Ri Qing	Taiwan	Energy technology Service	2,914	2,914	291	34.44 %	3,020	198	68	Associates
The Company	Ri Fa	Taiwan	Energy technology Service	56,000	56,000	5,600	40.00 %	63,685	19,714	7,886	Associates
The Company	Yun Deng	Taiwan	Energy technology Service	34,000	20,000	3,400	40.00 %	33,737	(158)	(63)	Associates
The Company	Stellar	Taiwan	Energy technology Service	36,000	-	3,600	30.00 %	39,796	12,653	3,796	Note 3
				<u>128,914</u>	<u>78,914</u>			<u>140,238</u>	<u>32,407</u>	<u>11,687</u>	
The Company	Star Power	Taiwan	Energy technology Service	274,000	252,000	27,400	20.00 %	292,508	87,498	17,500	Joint ventures
The Company	Star Network	Taiwan	Energy technology Service	-	378,903	-	-	-	(92)	(45)	Note 2
The Company	Aquastar	Taiwan	Energy technology Service	60,000	60,000	6,000	10.00 %	58,576	(13,749)	(1,375)	Joint ventures
				<u>334,000</u>	<u>690,903</u>			<u>351,084</u>	<u>73,657</u>	<u>16,080</u>	
SES	Huiju	Taiwan	Energy technology Service	1,500,000	-	150,000	100.00 %	1,496,910	(2,621)	(354)	Note 1

Note 1: The Company disposed all of its equity interests in Ri Wei, Yunn Deng, Wen Deng, Xin Sheng and Huiju for the year ended December 31, 2023. Please refer to note 6(7) for details.

Note 2: The liquidation of Star Network was completed in May 2023. Please refer to note 6(6) for details.

Note 3: The Company acquired 30% shares of Stellar in October 2023. Please refer to note 6(6) for details.

Note 4: The Company subscribed for the cash capital increase of SES in September 2023 not in proportion to its shareholding, resulting in a reduction of its shareholding ratio from 100% to 67.23%.

Note 5: The Company subscribed for the cash capital increase of Star Aquaculture in March and September 2023 not in proportion to its shareholding, the shareholding ratio increased from 90% to 97.78% in March 2023 and 97.78% to 98.31% in September 2023.

Note 6: The Company acquired 70% of equity interest in Rui Yang in September 2023. Please refer to note 6(6) for details.

**HD Renewable Energy Co., Ltd.**  
**Statement of Cash and Cash Equivalents**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars; in  
dollar of foreign currencies dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty Cash	\$ 925
Bank deposits	Demand deposits	1,953,928
	Foreign currency deposit (note) USD8,442, CNY1,471	<u>266</u>
		<u><u>\$ 1,955,119</u></u>

Foreign currency foreign exchange and at the balance sheet date are as follows:

USD: 30.705

CNY: 4.327

**Statement of Notes and Account Receivable**

<u>Customer Name</u>	<u>Amount</u>
AcTek Energy Co., Ltd.	\$ 65,451
Others (individual amount does not exceed 5%)	<u>5,751</u>
	<u>71,202</u>
Less: Loss allowance	<u>(647)</u>
	<u><u>\$ 70,555</u></u>

Notes: 1. Notes and accounts receivable above resulting from business activities.

2. Accounts receivable due from related parties were not included in the above. Please refer to note 7 for details.

**HD Renewable Energy Co., Ltd.****Contract assets / liabilities****December 31, 2023****(Expressed in thousands of New Taiwan Dollars)**

<b>Customer Name</b>	<b>Contract assets</b>	<b>Contract liabilities</b>
Sumray Power Company	\$ 1,413,175	-
Xin Sheng Energy Develop Co., Ltd.	613,260	-
Ri Yun Green Co., Ltd.	420,065	-
Wen Deng Green Co., Ltd.	266,058	-
AcTek Energy Co., Ltd.	193,456	-
Yunn Deng Green Co., Ltd.	177,218	-
He Shuo Agriculture Co., Ltd.	-	109,545
Dan Deng Green Co., Ltd.	-	26,455
Huiju Energy Co., Ltd.	-	10,500
Other(individual amount does not exceed 5%)	<u>356,744</u>	<u>17,981</u>
	<b><u>\$ 3,439,976</u></b>	<b><u>164,481</u></b>

**HD Renewable Energy Co., Ltd.**

**Statement of Inventories**

**December 31, 2023**

**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>		<b>Notes</b>
	<b>Net amount</b>	<b>Net Realizable Value</b>	
Module pending for construction	\$ 124,329	123,870	The basis on net realizable value of inventory, please refer to accompanying notes 4(7) to the parent company only financial statements.
Power cables pending for construction	33,344	33,606	
Steel structure pending for construction	130,732	130,732	
Raw materials	10,437	10,430	
Total	<u>\$ 298,842</u>	<u>298,638</u>	

**Statement of Other Current and Non-Current Assets**

Please refer to note 6(11) to the parent-company-only financial statements for the information on other current and non-current assets.

# HD Renewable Energy Co., Ltd.

## Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Beginning balance		Increase (decrease) for the period		Gains on investments (losses)	Translation adjustment	Cash dividends paid	Others (Note 1)	Balance at December 31, 2023			Net Assets Value	Pledge or guarantee
	Shares/ Units (thousands)	Amount (Note 2)	Shares/ Units (thousands)	Amount					Shares/ Units (thousands)	Amount (Note 2)	Percentage of ownership (%)		
Subsidiary:													
You Deng Green Co., Ltd.	40	283	-	-	1	-	-	-	40	284	100	284	None
Ri Zhi Green Co., Ltd.	800	7,632	-	-	(214)	-	-	-	800	7,418	100	7,418	None
Ri Wei Green Co., Ltd.	1,000	12,602	(1,000)	(14,101)	1,499	-	-	-	-	-	-	-	None
HB O&M Co., Ltd.	3,000	36,537	-	-	30,816	-	(3,290)	1,250	3,000	65,313	100	65,313	None
Xiang Heng Green Co., Ltd.	3,900	36,190	-	-	(165)	-	-	-	3,900	36,025	100	36,025	None
Ri Yu Green Co., Ltd.	530	5,149	570	5,700	(2)	-	-	-	1,100	10,847	100	10,847	None
Ri Xi Green Co., Ltd.	40	286	4,960	49,600	(156)	-	-	-	5,000	49,730	100	49,730	None
Ru Jing Green Co., Ltd.	200	1,553	-	-	7	-	-	-	200	1,560	100	1,560	None
Ri Lu Green Co., Ltd.	250	3,564	-	-	419	-	(960)	-	250	3,023	100	3,023	None
Ri Pu Green Co., Ltd.	40	281	-	-	1	-	-	-	40	282	100	282	None
Wen Deng Green Co., Ltd.	5,000	49,473	(5,000)	(49,306)	(167)	-	-	-	-	-	-	-	None
Yunn Deng Green Co., Ltd.	1,500	14,220	(1,500)	(14,160)	(60)	-	-	-	-	-	-	-	None
Titan Asset Management Co., Ltd.	10	15	-	-	-	-	-	-	10	15	100	15	None
Yin Deng Green Co., Ltd.	10	41	-	-	-	-	-	-	10	41	100	41	None
Dan Deng Green Co., Ltd. (Note 2)	150	1,368	-	-	(7)	-	-	-	150	1,361	100	1,361	None
Ri Fu Green Co., Ltd.	260	2,574	-	-	(7)	-	-	-	260	2,567	100	2,460	None
Ri Chen Green Co., Ltd.	60	397	1,240	12,400	(26)	-	-	-	1,300	12,771	100	12,771	None
New Century Energy Co., Ltd.	-	9,797	-	-	(234)	-	-	-	-	9,563	100	9,563	None
Chang He Energy Co., Ltd.	510	(3,074)	1,090	10,900	542	-	-	-	1,600	8,368	100	8,368	None
Star Exchange Co., Ltd.	2,000	20,829	2,000	20,000	2,663	-	(746)	339	4,000	43,085	100	43,085	None
Ri Xun Green Co., Ltd.	540	5,065	160	1,600	(102)	-	-	-	700	6,563	100	6,563	None
Star Energy Storage Solutions Co., Ltd.	16,000	155,538	-	-	33,161	-	-	408	16,000	189,107	80	189,107	None



Item	Beginning balance		Increase (decrease) for the period		Gains on investments (losses)	Translation adjustment	Cash dividends paid	Others (Note 1)	Balance at December 31, 2023			Net Assets Value	Pledge or guarantee
	Shares/ Units (thousands)	Amount (Note 2)	Shares/ Units (thousands)	Amount					Shares/ Units (thousands)	Amount (Note 2)	Percentage of ownership (%)		
Shin Yuan Energy Co., Ltd.	10	59	-	-	(8)	-	-	-	10	51	100	51	None
Xin Sheng Energy Develop Co., Ltd.	200	890	(200)	(634)	(256)	-	-	-	-	-		-	None
Star Charger Co., Ltd.	1,000	9,009	4,000	40,000	(17,045)	-	-	1,937	5,000	33,901	100	33,901	None
Daybreak FisheryTech Co., Ltd.	60	397	-	-	(68)	-	-	-	60	329	100	329	None
Tian Hua ChargeTech Co., Ltd.	10	73	790	7,900	(2,692)	-	-	-	800	5,281	100	5,281	None
Tian Fang ChargeTech Co., Ltd.	10	74	390	3,900	(684)	-	-	-	400	3,290	100	3,290	None
Tian Tai ChargeTech Co., Ltd.	10	74	-	-	(18)	-	-	-	10	56	100	56	None
Tian Jie ChargeTech Co., Ltd.	10	74	-	-	(10)	-	-	-	10	64	100	64	None
Tian Xi ChargeTech Co., Ltd.	10	74	340	3,400	(6)	-	-	-	350	3,468	100	3,468	None
Tian Hui Energy Storage Co., Ltd.	10	74	-	-	(10)	-	-	-	10	64	100	64	None
Tian Yi Energy Storage Co., Ltd.	10	73	-	-	(17)	-	-	-	10	56	100	56	None
Tian Cheng Energy Storage Co., Ltd.	10	74	-	-	(18)	-	-	-	10	56	100	56	None
Tian Dong Energy Storage Co., Ltd.	10	74	-	-	(10)	-	-	-	10	64	100	64	None
Tian Chang Energy Storage Co., Ltd.	10	73	-	-	(17)	-	-	-	10	56	100	56	None
Tian Yu Green Co., Ltd.	10	74	-	-	(18)	-	-	-	10	56	100	56	None
Tian Yong Green Co., Ltd.	10	74	440	4,400	(10)	-	-	-	450	4,464	100	4,464	None
Tian Hong Green Co., Ltd.	10	73	-	-	(17)	-	-	-	10	56	100	56	None
Tian Sheng Green Co., Ltd.	10	74	-	-	(10)	-	-	-	10	64	100	64	None
Star Energy Storage Co., Ltd.	102	986	39,898	398,980	(10,695)	-	-	(2,443)	40,000	386,828	67	386,828	None
Star Aquaculture Co., Ltd.	900	7,562	4,900	49,000	1,197	-	-	1,535	5,800	59,294	98	59,294	None
Huiju Energy Co., Ltd.	10,296	101,543	(10,296)	(102,960)	(2,265)	-	-	3,682	-	-		-	None
Ying Fa Energy Co., Ltd.	99	869	-	-	(136)	-	-	-	99	733	99	733	None
BESEYE CLOUD SECURITY CO., LTD.	-	-	24,287	100,000	20,199	-	-	-	24,287	120,199	100	78,582	None
Ju Wang Energy Co., Ltd.	-	-	5,000	50,000	(139)	-	-	-	5,000	49,861	100	49,538	None
Shin Bei Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None
Shin Chen Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None
Shin He Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None
Shin Duo Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None

Item	Beginning balance		Increase (decrease) for the period						Balance at December 31, 2023				
	Shares/ Units (thousands)	Amount (Note 2)	Shares/ Units (thousands)	Amount	Gains on investments (losses)	Translation adjustment	Cash dividend s paid	Others (Note 1)	Shares/ Units (thousands)	Amount (Note 2)	Percentage of ownership (%)	Net Assets Value	Pledge or guarantee
Shin Ting Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None
Shin Jian Charger Co., Ltd.	-	-	10	100	(11)	-	-	-	10	89	100	89	None
Rui Yang Optronics Co. Ltd.	-	-	19,600	196,000	51	-	-	555	19,600	196,606	70	196,606	None
Lanjing Volt Co., Ltd.	-	-	37	374	12	-	-	-	37	386	100	97	None
Landian Solar Energy Co., Ltd.	-	-	30	300	6	-	-	-	30	306	100	107	None
Ri Chu Energy Co., Ltd.	-	-	10,000	100,000	(144)	-	-	-	10,000	99,856	100	99,802	None
Li Tong Management Consulting Ltd.	-	-	4,200	41,977	(99)	-	-	-	4,200	41,878	100	41,878	None
HD Renewable Energy Japan Co., Ltd.	-	-	4	43,451	(1,057)	(120)	-	-	4	42,274	100	42,274	None
		<u>482,667</u>		<u>959,321</u>	<u>53,919</u>	<u>(120)</u>	<u>(4,996)</u>	<u>7,263</u>		<u>1,498,054</u>			
Associates:													
Ri Qing Green Co., Ltd.	291	3,043	-	-	68	-	(91)	-	291	3,020	34	3,020	None
Yun Deng Green Co., Ltd.	2,000	19,800	1,400	14,000	(63)	-	-	-	3,400	33,737	40	33,737	None
Ri Fa Green Co., Ltd.	5,600	55,799	-	-	7,886	-	-	-	5,600	63,685	40	63,685	None
Stellar Energy Technology Inc.	-	-	3,600	36,000	3,796	-	-	-	3,600	39,796	30	39,796	None
		<u>78,642</u>		<u>50,000</u>	<u>11,687</u>	<u>-</u>	<u>(91)</u>	<u>-</u>		<u>140,238</u>			
Joint ventures:													
Star Power Energy Corporation	25,200	261,100	2,200	22,000	17,500	-	(8,092)	-	27,400	292,508	20	292,508	None
Aquastar Energy Co., Ltd.	6,000	59,951	-	-	(1,375)	-	-	-	6,000	58,576	10	58,576	None
Star Network Data Co., Ltd.	37,890	378,883	(37,890)	(378,838)	(45)	-	-	-	-	-	-	-	None
		<u>699,934</u>		<u>(356,838)</u>	<u>16,080</u>	<u>-</u>	<u>(8,092)</u>	<u>-</u>		<u>351,084</u>			
		<u>1,261,243</u>		<u>652,483</u>	<u>81,686</u>	<u>(120)</u>	<u>(13,179)</u>	<u>7,263</u>		<u>1,989,376</u>			
Less: Unrealized gains on transaction of intercompany transaction		<u>259,970</u>		<u>85,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>345,138</u>			
		<u>\$ 1,001,273</u>		<u>567,315</u>	<u>81,686</u>	<u>(120)</u>	<u>(13,179)</u>	<u>7,263</u>		<u>1,644,238</u>			

Note 1: Others include the difference arising from subsidiary's share price and its carrying value of \$1,189 thousand, attributable to changes in ownership, which is not in proportion to shareholding reverse retained earnings by \$(385) thousand. Gain recognized in bargain purchase of \$555 thousand and the payment of staff remuneration by the Company to employees amounting to \$5,904 thousand are recognized.

Note 2: The credit balance of investments accounted for using equity method as of December 31, 2023 amounting to \$264 thousand, which from Dan Deng (carrying amounts of \$1,379 thousand less deferred credit of \$1,643 thousand).

Note 3: The share refund of \$378,837 thousand and recognized loss on disposal amounting to \$1 thousand from liquidation of Star Network.

**HD Renewable Energy Co., Ltd.**  
**Statement of Changes in Property, Plant and  
equipment**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(8) to the parent-company-only financial statements for the information of property, plant and equipment.

**Statement of Changes in Right-to-use Assets**

Please refer to note 6(9) to the parent-company-only financial statements for the information of right-to-use assets.

**Statement of Changes in Intangible Assets**

Please refer to note 6(10) to the parent-company-only financial statements for the information of intangible assets.

**HD Renewable Energy Co., Ltd.**  
**Statement of Notes and Accounts Payable**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Vendor Name</u>	<u>Amount</u>
Jinko Solar (Vietnam) Industries Co., Ltd.	\$ 95,943
Xing Chang Industrial Co.	95,233
Xiong Sheng Engineering Ltd.	63,651
Jianda construction Ltd.	62,454
Shihlin Electric & Engineering Corporation	53,391
Changxing Resources Ltd.	49,804
Others (individual amount does not exceed 5%)	<u>269,456</u>
	<u><u>\$ 689,932</u></u>

Notes: 1. The above notes and accounts payable are generated from operating activities.

2. Notes and accounts payable to related parties are not included in the above accounts. Please refer to note 7 for details.

**Statement of Short-Term Borrowings**

Please refer to note 6(12) to the parent-company-only financial statement  
for the information of short-term borrowings.

**HD Renewable Energy Co., Ltd.**  
**Statement of Short-Term Notes and Bills Payable**  
**December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(13) to the parent-company-only financial statement  
for the information of short-term notes and bills payable.

**Statement of Long-Term Borrowings**

Please refer to note 6(14) to the parent-company-only financial statement  
for the information of long-term borrowings.

**Statement of Lease liabilities**

Please refer to note 6(16) to the parent company only financial statements  
for the information of lease liabilities - current and non-current

**Statement of Other Current and Non-Current  
Liabilities**

Please refer to note 6(17) to the parent-company-only financial statements  
for the information of other current and non-current liabilities.

**HD Renewable Energy Co., Ltd.**  
**Statement of Operating Revenue**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to note 6(23) to the parent-company-only financial statements  
for the information of operating revenue.

**Statement of Operating Costs**

<u>Item</u>	<u>Amount</u>
Cost of engineering	
Inventories at the beginning of the period	\$ 193,108
Purchase for the period	2,403,885
Purchase return and discount	<u>(151,579)</u>
Purchase of raw materials (net)	<u>2,252,306</u>
Less: Inventories at the end of the period	(299,710)
Less: Cost of goods sold	(1,916)
Add: Other	<u>171,807</u>
Contribution of raw materials for the period	<u>2,315,595</u>
Direct labor	30,180
Indirect labor	27,388
Engineering expenses	<u>1,976,154</u>
Construction cost	<u>2,033,722</u>
Total engineering cost	4,349,317
Cost of goods sold	1,916
Cost of services	5,342
Cost of power electric	17,537
Write-down of inventories	476
Other operating costs	<u>(897)</u>
Total operating costs	<u><u>\$ 4,373,691</u></u>

**HD Renewable Energy Co., Ltd.**  
**Statement of Operating Expenses**  
**For the year ended December 31, 2023**  
**(Expressed in thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Sale expenses</b>	<b>Administrative expenses</b>	<b>Research and development expense</b>
Wages and salaries	\$ 13,247	133,439	15,816
Depreciation	17,741	12,024	4,068
Professional service fees	8,944	28,283	11,933
Other expenses (individual amount does not exceed 5%)	20,415	108,171	8,848
	<u><b>\$ 60,347</b></u>	<u><b>281,917</b></u>	<u><b>40,665</b></u>

**Statement of the net Amount of Other Revenues and  
Gains and Expenses and Losses**

Please refer to note 6(27) the parent-company-only financial statements  
for the information of other gains and losses.