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

# Hota Industrial Manufacturing Company Limited

Consolidated Financial Statements for the
Years Ended December 31, 2020 and 2019 and
Independent Auditors' Report
(stock code 1536)

Company Address：No.115 Rd.Ren Hua, Dali District, Taichung

Tel: (04)2491-2191

# Hota Industrial Manufacturing Company Limited

Consolidated Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

## Table of Contents

<u>Hota Industrial Manufacturing Company Limited</u>

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Hota Industrial Manufacturing Company Limited as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Hota Industrial Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Hota Industrial Manufacturing Company Limited

By

SHEN,GUO-RONG

Chairman

March 17, 2021

Independent Auditor’s Report

(110) Ministry of Finance approved No.20004693

The Board of Directors and Shareholders
Hota Industrial Manufacturing Company Limited Public

## Opinion

We have audited the accompanying consolidated states of Hota Industrial Manufacturing Company Limited and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31,2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, according to our audit result and audit reports from other accountants(please refer to “Others” section),the consolidated financial position of the Group as of December 31,2020 and 2019,and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by the Securities Issuers and the International Reporting Standards(IRFS), International Accounting Standards(IAS), IFRIC Interpretations(IFRIC), and SIC Interpretations (SIC) endorsed and issues into effect by the Financial Supervisory Commission of the Republic of China.

## Basis for Opinion

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

## Key Audit Matters December 31,2020 and 2019,

Key audit matters are those materials that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31,2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we don not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements for the year ended December 31,2020 are stated as follows:

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

Notes

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

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

Corresponding verification procedures

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

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

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

Notes

With regard to inventory accounting policies, please refer to Note 4 (14) of the consolidated financial report. For important accounting estimates and assumptions for inventory evaluation, please refer to Note 5 (2) of the consolidated financial report. Please refer to Note 6 (6) of the consolidated financial report for the description of the inventory allowance loss. The Group’s inventory and inventory allowance losses as of December 31, 2020 were NT$1,994,796 thousand and NT$96,769 thousand, respectively.

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

Corresponding verification procedures

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

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

**Other matters-adopting other accountants' audit reports**

The Group’s consolidated financial statements adopt equity method for investee companies whose financial statements have not been checked by this accountant, but by other accountants. Therefore, in the opinions expressed by this accountant on the above consolidated financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The amount of investment using the equity method on December 31, 2020 and December 31, 2019 were NT$319,885 thousand and 315,263 thousand, respectively, accounting for 1.74% and 1.84% of the total assets respectively. From January 1$^{st}$ to December 31$^{st}$ 2020 and from January 1$^{st}$ to December 31$^{st}$ 2019, the comprehensive profits recognized by the equity method were NT$2,398 thousand in losses and NT$7,691 thousand in benefits, respectively, each accounting for 0.78% and 1.19% of comprehensive profit and loss.

## Other matters – individual financial reports

Hota Industrial Manufacturing Company Limited has prepared its financial statements for the years ended December 31, 2020 and 2019, and we have issued an unqualified audit report thereon for your information.

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

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

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

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

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

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of significance in the audit of the consolidated financial statements for the year ended December 31,2020 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 communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Taiwan

Wu, Song-yuan
CPA
Xu, Jian-ye

Financial Supervisory Commission
Approved-certified No.: 1090350620
1050035683

March 17, 2021

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

| | ASSETS | NOTE | December 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | % | | Amount | % |
| | CURRENT ASSETS | | | | | | | |
| 1100 | cash and cash equivalents | 6(1) | $ | 795,667 | 4 | $ | 526,855 | 3 |
| 1120 | Financial assets at fair value through other comprehensive income – current | 6(2) | | 120,506 | 1 | | 98,516 | 1 |
| 1136 | Financial assets at amortized cost – current | 6(3), 8 | | 89,557 | - | | 78,014 | - |
| 1150 | Notes receivable | 6(4) | | 18,537 | - | | 2,592 | - |
| 1170 | Accounts receivable | 6(4),7(2) | | 2,215,079 | 12 | | 2,238,798 | 13 |
| 1200 | Other receivables | 6(5) | | 113,358 | 1 | | 88,419 | 1 |
| 1220 | Current income tax assets | 6(29) | | 110 | - | | - | - |
| 130X | Inventories | 6(6) | | 1,898,027 | 10 | | 1,883,524 | 11 |
| 1470 | Other current assets | 8 | | 158,616 | 1 | | 226,592 | 1 |
| 11XX | Total current assets | | | 5,409,457 | 29 | | 5,143,310 | 30 |
| | NONCURRENT ASSETS | | | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income –noncurrent | 6(2) | | 64,416 | - | | 80,874 | 1 |
| 1535 | Financial assets at amortized cost – noncurrent | 6(3), 8 | | 32 | - | | - | - |
| 1550 | Investments accounted for using equity method | 6(7) , 8 | | 323,357 | 2 | | 318,372 | 2 |
| 1600 | Property, plant and equipment | 6(8) , 8 | | 11,540,853 | 63 | | 10,672,421 | 62 |
| 1755 | Right-of-use assets | 6(9) | | 317,045 | 2 | | 348,671 | 2 |
| 1780 | Intangible assets | | | 7,034 | - | | 14,142 | - |
| 1840 | Deferred income tax assets | 6(29) | | 63,343 | - | | 57,202 | - |
| 1900 | Other noncurrent assets | 6(1) , 8 | | 625,638 | 4 | | 520,860 | 3 |
| 15XX | Total noncurrent assets | | | 12,941,718 | 71 | | 12,012,542 | 70 |
| 1XXX | TOTAL | | $ | 18,351,175 | 100 | $ | 17,155,852 | 100 |

(continue in next page)

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

| | LIABILITIES AND EQUITY | Note | December 31, 2020 Amount | % | December 31, 2019 Amount | % |
|---|---|---|---|---|---|---|
| | CURRENT LIABILITIES | | | | | |
| 2100 | Short-term borrowings | 6(12) | $ 2,088,753 | 12 | $ 1,120,130 | 7 |
| 2110 | Short - term notes and bills payable | 6(13) | 600,000 | 3 | 560,000 | 3 |
| 2150 | Notes payable | | 431,512 | 2 | 388,373 | 2 |
| 2170 | Accounts payable | | 578,526 | 3 | 489,771 | 3 |
| 2200 | Other payables | 6(14), 7(2) | 437,713 | 3 | 539,955 | 3 |
| 2230 | Income tax payable | 6(29) | 42,974 | - | 99,458 | 1 |
| 2280 | Lease liabilities – current | 6(9) , 7(2) | 18,363 | - | 21,171 | - |
| 2300 | Other current liabilities | 6(15) | 2,228,449 | 12 | 1,624,830 | 9 |
| 21XX | Total current liabilities | | 6,426,290 | 35 | 4,843,688 | 28 |
| | NONCURRENT LIABILITIES | | | | | |
| 2540 | Long-term loans | 6(15) | 5,042,695 | 28 | 5,217,475 | 30 |
| 2570 | Deferred income tax liabilities | 6(29) | 54,357 | - | 64,240 | - |
| 2580 | Lease liabilities – noncurrent | 6(9) , 7(2) | 257,476 | 1 | 284,994 | 2 |
| 2600 | Other noncurrent liabilities | 6(17) | 163,314 | 1 | 120,527 | 1 |
| 25XX | Total noncurrent liabilities | | 5,517,842 | 30 | 5,687,236 | 33 |
| 2XXX | Total liabilities | | 11,944,132 | 65 | 10,530,924 | 61 |
| | EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT | | | | | |
| | Capital stock | 6(19) | | | | |
| 3110 | common stock | | 2,545,175 | 14 | 2,549,565 | 15 |
| | Capital surplus | 6(20) | | | | |
| 3200 | Capital surplus | | 1,906,479 | 10 | 1,916,204 | 11 |
| | Retained earnings | 6(21) | | | | |
| 3310 | Appropriated as legal capital reserve | | 660,162 | 4 | 593,292 | 3 |
| 3320 | Appropriated as special capital reserve | | 48,236 | - | 23,850 | - |
| 3350 | Unappropriated earnings | | 1,227,622 | 7 | 1,533,901 | 9 |
| | Others | 6(22) | | | | |
| 3400 | Others | | ( 35,116) | - | ( 48,236) | - |
| 31XX | Equity attributable to shareholders of the parent | | 6,352,558 | 35 | 6,568,576 | 38 |
| 36XX | NON - CONTROLLING INTERESTS | | 54,485 | - | 56,352 | 1 |
| 3XXX | Total equity | | 6,407,043 | 35 | 6,624,928 | 39 |
| | Significant Contingent Liabilities and Unrecognized Contractual Commitments | 9 | | | | |
| | Significant subsequent events | 11 | | | | |
| 3X2X | **Total liabilities and equities** | | $ 18,351,175 | 100 | $ 17,155,852 | 100 |

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

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Statements of Comprehensive Income

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

| | ITEM | NOTE | 2020 Amount | 2020 % | 2019 Amount | 2019 % |
|---|---|---|---|---|---|---|
| 4000 | OPERATING REVENUE | 6(23) , 7(2) | $ 5,211,042 | 100 | $ 5,968,347 | 100 |
| 5000 | COST OF REVENUE | 6(6)(28), 7(2) | ( 4,038,224) | ( 78) | ( 4,295,987) | ( 72) |
| 5900 | GROSS PROFIT | | 1,172,818 | 22 | 1,672,360 | 28 |
| 5950 | Operating net profit | | 1,172,818 | 22 | 1,672,360 | 28 |
| | Operating expenses | | | | | |
| 6100 | Sales and marketing expenses | 6(28) | ( 476,031) | ( 9) | ( 512,721) | ( 9) |
| 6200 | General and administrative expenses | 6(28) | ( 185,456) | ( 4) | ( 187,695) | ( 3) |
| 6300 | Research and development | 6(28) | ( 108,631) | ( 2) | ( 144,460) | ( 2) |
| 6450 | Expected credit losses | 12(2) | ( 6,089) | - | ( 8,955) | - |
| 6000 | Total operating expenses | | ( 776,207) | ( 15) | ( 853,831) | ( 14) |
| 6900 | INCOME FROM OPERATIONS | | 396,611 | 7 | 818,529 | 14 |
| | NON- OPERATING INCOME AND EXPENSES | | | | | |
| 7100 | Interest income | 6(24) | 4,803 | - | 9,509 | - |
| 7010 | Other income | 6(25) | 110,810 | 2 | 55,483 | 1 |
| 7020 | Other gains and losses | 6(26) | ( 78,516) | ( 1) | ( 47,262) | ( 1) |
| 7050 | Finance costs | 6(27) | ( 108,291) | ( 2) | ( 90,105) | ( 1) |
| 7060 | Share of profits of associates | 6(7) | ( 1,369) | - | ( 1,235) | - |
| 7000 | Total non-operating income and expenses | | ( 72,563) | ( 1) | ( 73,610) | ( 1) |
| 7900 | INCOME BEFORE INCOME TAX | | 324,048 | 6 | 744,919 | 13 |
| 7950 | INCOME TAX EXPENSE | 6(29) | ( 38,488) | - | ( 91,870) | ( 2) |
| 8200 | NET INCOME | | $ 285,560 | 6 | $ 653,049 | 11 |

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Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Statements of Comprehensive Income

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

| | ITEM | NOTE | 2020 AMOUNT | 2020 % | 2019 AMOUNT | 2019 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income (LOSS)** | | | | | |
| | Items that will not be reclassified subsequently to profit or loss: | | | | | |
| 8311 | Remeasurement of defined benefit obligation | | $ 1,667 | - | $ 22,892 | - |
| 8316 | Unrealized gain on investments in equity instruments at fair value through other comprehensive income | 6(3) | 16,638 | - | ( 17,675) | - |
| 8320 | Share of other comprehensive loss of associates | 6(7)(22) | 4,416 | - | ( 7,619) | - |
| 8349 | Income tax benefit (expense) related to items that will not be reclassified subsequently | 6(29) | ( 348) | - | ( 4,577) | - |
| 8310 | Total items not reclassified to profit or loss | | 22,373 | - | ( 6,979) | - |
| | **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| 8361 | Exchange differences arising on translation of foreign operations | 6(22) | ( 8,149) | - | ( 16,404) | - |
| 8367 | Unrealized gain on investments in debt instruments at fair value through other comprehensive income | 6(22) | 10,321 | - | 15,603 | - |
| 8370 | Share of other comprehensive loss of associates | 6(7)(22) | ( 4,324) | - | ( 1,303) | - |
| 8399 | Income tax benefit (expense) related to items that will be reclassified subsequently | 6(29) | 2,227 | - | 1,594 | - |
| 8360 | Total amount of items that may be reclassified to profit or loss in the future | | 75 | - | ( 510) | - |
| 8300 | **Other comprehensive income,net of tax** | | $ 22,448 | - | ($ 7,489) | - |
| 8500 | **Total comprehensive income** | | $ 308,008 | 6 | $ 645,560 | 11 |
| | NET INCOME ATTRIBUTABLE TO: | | | | | |
| 8610 | Shareholders of the parent | | $ 286,094 | 6 | $ 649,123 | 11 |
| 8620 | Non-controlling interests | | ( 534) | - | 3,926 | - |
| | Total | | $ 285,560 | 6 | $ 653,049 | 11 |
| | TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | |
| 8710 | Shareholders of the parent | | $ 308,010 | 6 | $ 641,989 | 11 |
| 8720 | Non-controlling interests | | ( 2) | - | 3,571 | - |
| | Total | | $ 308,008 | 6 | $ 645,560 | 11 |
| | Basic earnings per share | 6(30) | | | | |
| 9750 | Total | | $ | 1.12 | $ | 2.55 |
| | Diluted earnings per share | 6(30) | | | | |
| 9850 | Total Diluted earnings per share | | $ | 1.12 | $ | 2.54 |

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

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Statements of Changes in Equity

(In Thousands of New Taiwan Dollars)

| | | Equity Attributable to Shareholders of the Parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained Earnings | | | Others | | | | | |
| | Note | Common Stock | Capital Surplus | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Foreign Currency Translation Reserve | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Treasury Stock | Total | Non-controlling Interests | Total Equity |
| 2019 | | | | | | | | | | | | |
| BALANCE, JANUARY 1, 2019 | | $ 2,549,565 | $ 1,916,204 | $ 469,600 | $ - | $ 1,905,095 | ($ 16,067) | ($ 7,782) | $ - | $ 6,816,615 | $ 54,179 | $ 6,870,794 |
| Net income in 2019 | | - | - | - | - | 649,123 | - | - | - | 649,123 | 3,926 | 653,049 |
| Other comprehensive income (loss) in 2019, net of income tax | 6(22) | - | - | - | - | 18,381 | ( 16,112) | ( 9,403) | - | ( 7,134) | ( 355) | ( 7,489) |
| Total comprehensive income (loss) in 2019 | | - | - | - | - | 667,504 | ( 16,112) | ( 9,403) | - | 641,989 | 3,571 | 645,560 |
| Appropriations of earnings in 2018 | 6(21) | | | | | | | | | | | |
| Legal capital reserve | | - | - | 123,692 | - | ( 123,692) | - | - | - | - | - | - |
| Special capital reserve | | - | - | - | 23,850 | ( 23,850) | - | - | - | - | - | - |
| Common stock and cash dividends to shareholders | | - | - | - | - | ( 892,348) | - | - | - | ( 892,348) | - | ( 892,348) |
| Disposal of investments in equity instruments at fair value through other comprehensive income | | - | - | - | - | 1,192 | - | 1,128 | - | 2,320 | - | 2,320 |
| The investee company distributes cash dividends | | - | - | - | - | - | - | - | - | - | ( 1,398) | ( 1,398) |
| BALANCE, DECEMBER 31, 2019 | | $ 2,549,565 | $ 1,916,204 | $ 593,292 | $ 23,850 | $ 1,533,901 | ($ 32,179) | ($ 16,057) | $ - | $ 6,568,576 | $ 56,352 | $ 6,624,928 |
| JANUARY 1 to DECEMBER 31, 2020 | | | | | | | | | | | | |
| Net income in 2020 | | $ 2,549,565 | $ 1,916,204 | $ 593,292 | $ 23,850 | $ 1,533,901 | ($ 32,179) | ($ 16,057) | $ - | $ 6,568,576 | $ 56,352 | $ 6,624,928 |
| Net income | | - | - | - | - | 286,094 | - | - | - | 286,094 | ( 534) | 285,560 |
| Other comprehensive income | 6(22) | - | - | - | - | 1,360 | ( 10,242) | 30,798 | - | 21,916 | 532 | 22,448 |
| Total comprehensive income | | - | - | - | - | 287,454 | ( 10,242) | 30,798 | - | 308,010 | ( 2) | 308,008 |
| Appropriations of earnings in 2019 | 6(21) | | | | | | | | | | | |
| Legal capital reserve | | - | - | 66,870 | - | ( 66,870) | - | - | - | - | - | - |
| Special capital reserve | | - | - | - | 24,386 | ( 24,386) | - | - | - | - | - | - |
| Common stock and cash dividends to shareholders | | - | - | - | - | ( 509,913) | - | - | - | ( 509,913) | - | ( 509,913) |
| Share-based payment transaction | 6(18)(20) | - | 20,895 | - | - | - | - | - | - | 20,895 | - | 20,895 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | 6(22) | - | - | - | - | 7,436 | - | ( 7,436) | - | - | - | - |
| Treasury stock repurchase | 6(19) | - | - | - | - | - | - | - | ( 35,010) | ( 35,010) | - | ( 35,010) |
| Decrease in treasury stock | 6(19)(20) | ( 4,390) | ( 30,620) | - | - | - | - | - | 35,010 | - | - | - |
| The investee company distributes cash dividends | | - | - | - | - | - | - | - | - | - | ( 1,865) | ( 1,865) |
| BALANCE, DECEMBER 31, 2020 | | $ 2,545,175 | $ 1,906,479 | $ 660,162 | $ 48,236 | $ 1,227,622 | ($ 42,421) | $ 7,305 | $ - | $ 6,352,558 | $ 54,485 | $ 6,407,043 |

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

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Statement of Cash Flows

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

| | NOTE | January 1 to December 31,2020 | January 1 to December 31,2019 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | | $ 324,048 | $ 744,919 |
| Adjustments for: | | | |
| Provided by (used in) operating activities: | | | |
| Loss (gain) on financial asset and liability at fair value through profit or loss, net | 6(26) | - | ( 2,084 ) |
| Depreciation - Property | 6(8)(28) | 599,821 | 577,935 |
| Depreciation – Right-of-use asset | 6(10)(28) | 23,262 | 28,770 |
| Amortization expense | 6(28) | 10,067 | 9,725 |
| Interest expense | 6(27) | 103,511 | 85,367 |
| Interest expense - Lease liability | 6(10)(27) | 4,780 | 4,738 |
| Expected credit losses | 12(2) | 6,089 | 8,955 |
| Interest income from bank deposits | 6(24) | ( 4,803 ) | ( 9,509 ) |
| Share of profits of associates | 6(7) | 1,369 | 1,235 |
| Loss (gain) on disposal or retirement of property, plant and equipment, net | 6(26) | ( 2,494 ) | ( 329 ) |
| Cash increase to retain employee subscription remuneration costs | 6(18) | 20,895 | - |
| Unrealized exchange loss | | 10,045 | 35,290 |
| Changes in operating assets and liabilities: | | | |
| Changes in operating assets | | | |
| Financial instruments at fair value through profit or loss – current | | - | 63,047 |
| Notes receivables | | ( 15,794 ) | 5,189 |
| Trade receivables and trade receivables from related parties | | 39,590 | ( 315,941 ) |
| Other receivables | | ( 23,961 ) | 40,833 |
| Inventories | | ( 12,553 ) | ( 131,593 ) |
| Other current assets | | 35,305 | ( 83,800 ) |
| Other noncurrent assets | | 7,696 | ( 6,750 ) |
| Changes in liabilities | | | |
| Notes payable | | 113,353 | ( 115,848 ) |
| Accounts payable (related parties) | | 15,614 | ( 304,663 ) |
| Other payables | | ( 9,560 ) | ( 182,064 ) |
| Other current liabilities | | 12,880 | ( 3,246 ) |
| Other noncurrent liabilities | | 44,215 | ( 12,088 ) |
| Cash generated from operations | | 1,303,375 | 438,088 |
| Income taxes paid | | ( 109,226 ) | ( 58,769 ) |
| Interest received | | 4,806 | 9,510 |
| Interest paid | | ( 103,583 ) | ( 85,974 ) |
| Net cash generated by operating activities | | 1,095,372 | 302,855 |

(continue in next page)

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statement of Cash Flows
2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

| | NOTE | January 1 to December 31,2020 | January 1 to December 31,2019 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from disposal or redemption of: Financial assets at fair value through other comprehensive income – current | | $ 17,608 | $ 22,319 |
| Acquisitions of: Financial assets at fair value through other comprehensive income – noncurrent | | ( 6,503 ) | ( 2,239 ) |
| Financial assets at amortized cost | | ( 1,112 ) | ( 29,316 ) |
| Dividends received from investments accounted for using equity method | | 2,441 | 11,892 |
| Acquisitions of: Property, plant and equipment | 6(31) | ( 1,689,681 ) | ( 2,232,191 ) |
| Proceeds from disposal or redemption of: Property, plant and equipment | | 10,235 | 14,864 |
| Increase in intangible assets | | ( 2,715 ) | ( 9,626 ) |
| Refundable deposits refunded | | 1,047 | 729 |
| Net cash used in investing activities | | ( 1,668,680 ) | ( 2,223,568 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term loans | 6(32) | 958,281 | ( 289,237 ) |
| Proceeds from short-term bills payable | 6(32) | 40,000 | 310,000 |
| Repayment of the principal portion of lease liabilities | 6(32) | ( 20,136 ) | ( 26,005 ) |
| Proceeds from long-term bank loans | 6(32) | 6,319,534 | 5,306,773 |
| Repayment from long-term bank loans | 6(32) | ( 5,909,807 ) | ( 3,282,164 ) |
| Cash dividends | 6(21) | ( 509,913 ) | ( 892,348 ) |
| Proceeds from Disposal of Treasury Stock | 6(19) | ( 35,010 ) | - |
| Net cash used in financing activities | | 842,949 | 1,127,019 |
| EFFECT OF EXCHANGE RATE | | ( 829 ) | 24,829 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 268,812 | ( 768,865 ) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | 526,855 | 1,295,720 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | | $ 795,667 | $ 526,855 |

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

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Financial Statements Notes
2020 and 2019 January 1 to December 31
(In Thousands of New Taiwan Dollars)

1. HISTORY OF THE COMPANY

Hota Industrial Manufacturing Company Limited (the "Company" ) or Hota Industrial Manufacturing Company Limited with subsidiaries(the "Group"),is a Republic of China (R.O.C.) corporation, was incorporated in January, 1973 and started to operate at the same time. The Group is a dedicated foundry in the manufacturing and selling gear wheels, shafts and various transmission parts like for automobile, motorbike, agricultural machinery, tooling machinery, etc.

In September 2001, the Group's shares were listed on the Taiwan Stock Exchange (TWSE).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying parent company only financial statements were approved and authorized for issue by the Board of Directors on March 17, 2021.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2020 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2020

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material | January 1, 2020 |
| Amendments to IFRS 3, 'Definition of a business' | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform' | January 1, 2020 |
| Amendment to IAS 16" Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concession" | June 1, 2020(note) |

Note：FSC allows to apply from January 1st , 2020 onwards.

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

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

New standards, interpretations and amendments issued by IASB and applicable in 2021 but not yet included in the IFRSs as endorsed by the FSC are as follows

| New Standards, Interpretations and Amendments | International Accounting Standards Board |
|---|---|
| Amendments to IFRS 4 "Temporary exemption from the extension of International Financial Reporting Standard No. 9" | January 1,2021 |
| Amendments to IFRS 9, IAS 39, IFRS 7,IFRS4 and IFRS 16 " Interest Rate Benchmark Reform - Phase 2" | January 1, 2021 |

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

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

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

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IFRS 3 "Reference to the Conceptual Framework" | January 1, 2022 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets To be determined by IASB between an Investor and its Associate or Joint Venture" | To be determined by IASB |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IAS 1 "Classification of Liabilities as Current or Non Current" | January 1, 2023 |
| Amendments to IFRS 1, 'Disclosure of accounting policies" contracts' | January 1, 2023 |
| Amendments to IFRS 8, 'Definition of accounting estimates" contracts' | January 1, 2023 |
| Amendments to IAS 16 "Property, Plant and Equipment - Proceeds | January 1, 2022 |
| Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a | January 1, 2022 |
| 2018-2020 periodical annual improvements | January 1, 2022 |

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1 ) Statement of compliance

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

(2 ) Basis for preparation

1.Excpet below key items, this consolidated financial statements have been prepared on the historical cost basis：

(1)The calculation of financial assets is through other comprehensive profit and loss calculation of fair value measurement.

(2) Determined welfare liabilities are recognized as the net amount of the present value of the definite welfare obligations after the deduction of retirement fund assets.

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

(3 ) Basis of Consolidation

1.The basis for the consolidated financial statements

(1) The group incorporates all subsidiaries into the consolidated financial report compilation body. Subsidiary refers to an entity controlled by the group (including structured entities). When the group is exposed to variable compensation from the participation of the individual or has rights to such variable compensation, and through its power or ability to influence the individual's payment, the Group controls the individual. Subsidiaries will enter the consolidated financial report from the day when the Group gains control,and terminates the merger on the day when the control is lost.

(2) Transactions, balances and unrealized equities between subsidiaries are eliminated. Accounting policies of subsidiaries have done essential adjustments to be the same as the Group's.

(3) Each component of the profit and loss and other comprehensive gains and losses is attributed to the owner of the parent company and non-controlling interest. The total amount of the comprehensive profit and loss is also attributed to the owner of the parent company and the non-controlling interest, even if there is a non-controlling loss caused by the equity.

(4) If the change in the amount of stocking owned by the subsidiaries does not lead to loss of control (transaction with non-controlling rights and interests), it is treated as an equity transaction, which means it is treated as a transaction with the owner. The difference between the adjustment amount of the non-controlling equity and the fair value of the consideration paid or received is directly recognized as equity.

(5)When the Group loses the control over subsidiaries,re-evaluate the remaining investment at fair value,and set it as cost for initial recognition of financial assets or of affiliates investment,the fair value and carrying amount are recognized as current profit and loss. For all amounts previously recognized in other comprehensive profit and loss related to the subsidiary, the accounting handles the same as if the Group directly disposes of related assets or liabilities, which is, if the profit or loss previously recognized as other comprehensive profit or loss, when disposing of related assets or liabilities, they will be re-classified as profit or loss. When the control of the subsidiary is lost, the profit or loss will be re-classified from equity as profit or loss.

2. The subsidiaries in the consolidated financial statements

| | | | Percentage of Ownership (%) | |
|---|---|---|---|---|
| Name of Investor | Name of subsidiary | Main business and products | December 31, 2020 | December 31, 2019 |
| Hota Industrial Manufacturing Company Limited | Hozuan investment Company Limited(Abbreviated as Hozuan company) | Investment activities | 100 | 100 |
| Hota Industrial Manufacturing Company Limited | Howin Precision Company Limited(Abbreviated as Howin company) | Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale of hardware parts and metal parts | 61.05 | 61.05 |
| Hota Industrial Manufacturing Company Limited | Wuxi Hoda Precision gear Company Limited (Abbreviated as Wuxi Hoda company) | Manufacturing and sell various of precision gears for automobiles and motorbikes | 100 | 100 |
| Hota Industrial Manufacturing Company Limited | HOTATECH, INC. | Sell various precision gears for automobiles and reinvest USA Unison Investment Co., Inc. for selling various precision gears of automobiles | 100 | 100 |
| Hota Industrial Manufacturing Company Limited | CAPTAIN HOLDING CO.,LTD. | Holding company | 100 | 100 |
| Hota Industrial | Juda Intelligent | Manufacturing and | 83.33 | 83.33 |

| | | | | |
|---|---|---|---|---|
| Manufacturing Company Limited | Technology(Abbreviated as Wuxi Juda company) | selling various precision Gears and shafts for automobiles | | |
| HOTATECH, INC. | UNISON INVESTMENT CO., INC. | selling various precision gears and shafts of automobiles | 100 | 100 |
| CAPTAIN HOLDING CO., LTD. | Howon(Whaian)automobile components Company Limited | Manufacturing and selling of automobile gearboxes and gears | 100 | 100 |

3.Subsidiaries not included in consolidated financial reports: No

4. Subsidiaries adopting different ways of adjustment and handling during accounting period: No

5.Significant limitations： No

6.Subsidiaries hold significant un-contolling rights and profits to the Group: No

(4)Foreign currency translations

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

1.Foreign currency transaction & balance

(1) Foreign currency transactions are converted into functional currency using the spot exchange rate on the transaction day or the measurement day, and the conversion difference resulting from such transactions is recognized as the current profit or loss.

(2) The balance of foreign currency assets & liabilities will be adjusted according to the spot exchange rate on the date of the asset liability balance sheet, and the conversion difference resulting from the adjustment shall be recognized as current profit and loss.

(3) The balance of foreign currency non-monetary assets & liabilities that is measured at fair value through other comprehensive gains and losses is evaluated and adjusted at the spot exchange rate on the reporting date. The conversion difference arising from the adjustment is recognized in other comprehensive gains and losses; The fair value measurement is based on the historical exchange rate on the initial transaction date.

(4)All currency exchange profits and losses are listed in “other profit and loss” in the income statement.

2.Conversion of foreign operating agencies

(1) Functional currency and expression currency are different from all group entities, associated enterprises & joint agreements, and their operating results and financial status are converted into expression currency as following:

A. The assets & liabilities expressed in each asset liability table are converted at the closing exchange rate on the asset liability table date;

B. The income & expenses expressed in each consolidated income statement are converted at the current average exchange rate;

C. All conversion differences resulting from the conversion are recognized as other consolidated profits and losses.

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

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

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

(1) Assets were expected to realize in normal business cycle

(2) Assets were held on the purpose of transaction

(3) Assets expected to realize within 12 months after the reporting date.

(4) Cash and cash equivalents are included except those who are subject to restrictions on exchange or use to pay off debts at least 12 months after the date of the reporting date.

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

2.Liabilities that meet 1one of the following conditions are classified as current liabilities ：

(1) Assets were expected to realize in normal business cycle

(2) Assets were held on the purpose of transaction

(3) Liabilities expected to realize within 12 months after the reporting date

(4) It is not possible to defer the repayment period without any condition at least 12 months after the date of the reporting date. Indebtedness clauses which may lead to liquidation by issuing equity instruments, depending on the choice of the trading counterparty, do not affect their classification.

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

(6) Cash equivalents

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

(7) Financial assets measured at fair value through profit and loss

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

(8 ) The calculation of financial assets is through other comprehensive profit and loss calculation of fair value measurement.

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

(9) Financial assets at amortized cost

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

(10) Accounts Receivable & Invoices

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

comprehensive profits and losses.

(11) Financial asset impairment

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

(12) Derecognition of financial assets

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

1.The contractual rights to the cash flows from the financial asset expire.

2.The contractual rights to the cash flows from the financial asset have been transferred and all the risks and rewards of the financial asset ownership have been removed.

3.The contractual rights to the cash flows from the financial asset have been transferred and the Group doesn't reserve the control of the financial asset.

(13 ) Lease transaction as a Lessor, Lease account receivable / Operating lease

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

(14 ) Inventory

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

(15 ) Investments Accounted for Using Equity Method / Associates

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

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

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

(16 ) Property, Plant and Equipment

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

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

(17 ) Lease transaction as a Lessee － Right-of-use Assets / Lease Liabilities

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease properties. Payments of lease contracts for short-term leases (leases of machinery and equipment and others) and low value assets leases are recognized as expenses on a straight-line basis during the lease period.
2. Lease liabilities are measured at the present value of the unpaid lease payments discounted by the lessee’s incremental borrowing rates at the commencement date of the lease. Lease

payments include:
Fixed payments, deduct collectable lease incentives.
Thereafter, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease period. When the lease period or lease payment changes due to non-contract modification, the Group re-measures the lease liabilities with a corresponding adjustment to the right-of-use assets.

3. Right-of-use assets are measured at cost on the commencement date of the lease, where the cost including:
   (1) The initial measurement of lease liabilities;
   (2) Any lease payment at or before the commencement date;
   (3) Any initial direct cost happened on the asset.

   Subsequent measurement is calculated as cost less accumulated depreciation against whether the estimated useful lives of assets or the lease terms is earlier. When the lease liabilities was remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.
4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

(18) Intangible Assets

1. Computer software
   Computer software is recognized at the cost and straight-line amortized according to its estimated useful life of 1 to 3 years.
2. Intangible assets, such as Royalties for technology transfer, are straight-line amortized on their estimated useful life of 1 to 5 years.

(19 ) Impairment of non-financial assets

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

(20) Loan

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

(21 ) Account Payable and Note Payable

1. Note payable refers to debts arising from the purchase of raw materials, commodities or labor services on credit and arising from business or non-business factors.
2. Due to the discount has little effect, short-term accounts payables and note payables that interest unpaid, the Group uses the initial invoice amount to measure.

(22 ) Derecognization of Financial Liabilities

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

(23 ) Employee Benefits

1. Short-term employee benefits

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

2. Retirement benefits

(1) Defined contribution plans

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

(2) Defined benefit plans

A. The net benefit liabilities under the defined benefit plan are calculated by discounting the number of future benefits the employee earned now or in the past, and the present value of defined benefit liabilities on the date of the balance sheet deduct the fair value of the beneficial asset.

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

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

(3) Remuneration of employees, directors and supervisors

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

(24 ) Share based payment

The share based payment agreement for equity delivery refers to the employee services obtained by measuring the fair value of the equity instruments given on the grant date, which is recognized as remuneration costs during the vested period, and the equity is relatively adjusted.
The fair value of equity instruments should reflect the effects of both acquired and non-vested conditions on the market price.

The recognized remuneration cost is adjusted in accordance with the expected amount of rewards that meet the service conditions and the non-market price vested conditions until the final recognized amount is recognized by the vested amount on the vesting date.

(25 ) Income Tax

1. Income taxes include current and deferred income taxes. Except for the income tax items included in other comprehensive income or equity, which are separately listed in other comprehensive income or directly listed in the Equity, the income tax is recognized in the income.
2. The Group calculates the current income tax based on the tax rate that has been legislated on the balance sheet date of the country where it operates and generates taxable income. The management regularly evaluates the status of income tax declarations with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. Income tax of retained earnings is levied in accordance with the Income Tax Act. In the next year after the subsequent earnings are generated, after the shareholders' meeting ratified the earning distribution proposal, the distribution of actual earnings will be confirmed and the retained earnings income tax expenses will be recognized.
3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the tax base of assets and liabilities and their book amounts in the consolidated balance

sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction and does not affect accounting profits or accounting at the time of the transaction. Tax income (taxable loss) is not recognized. If the temporary difference caused by investing in a subsidiary company, the Group can control the timing of the reversion of the temporary difference, and the temporary difference will not be recognized if it is likely that it will not revert in the foreseeable future. Deferred income tax adopts the tax rate (and Tax Acts) that has been enacted on the balance sheet date and is expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized within the scope where temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are reassessed on each balance sheet date.
5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is statutory enforcement power to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or by different taxpayers but each entity intends to The deferred income tax assets and liabilities are offset against each other when the net basis is settled or the assets and liabilities are realized at the same time.

(26 ) Shares

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

(27 ) Dividend distribution

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

(28 ) Revenue recognition

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

(29 ) Government Grant

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

(30 ) Operating Departments

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

V. Main sources of major accounting judgments, assumptions, and uncertainty of estimations.

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

Please follow explanations on major accounting judgments, assumptions, and uncertainty of estimations:

(1) Major Judgments on Accounting Policy

1. Financial assets, impairment on equity investment

According to International Financial Reporting Standards (IFRS) No. 9, the Group requires a major judgment to determine whether an individual financial asset as equity investment impairs. When taking the judgment, the Group assessed whether the fair value of individual equity investment is lower than its cost, based on the consideration of the financial health and the short-term business prospects of the investee, including the factors of the industry performance, technical changes, operating performance, and financing cash flow.

2. Financial assets, impairment on Account Receivable

According to International Financial Reporting Standards (IFRS) No. 9, the Group requires a major judgment to determine whether an individual financial asset as Account Receivable impairs. The Group assesses the recoverability of Accounts receivable of the individual customer and the estimated amount of impairment, including the factors of financing capability, repayment conditions, and debt negotiation.

(2 ) Major Accounting estimates and assumptions

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

The Group’s book value of inventory is NT 1,898,027 thousands on December 31, 2020.

VI. Description of important accounting items

(1) Cash and Cash equivalents

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Cash on hand and working capital | $ 6,716 | $ 1,474 |
| Demand Deposit | 354,713 | 321,805 |
| Foreign Currency Deposit | 434,210 | 203,536 |
| Check Deposit | 28 | 40 |
| Total | $ 795,667 | $ 526,855 |

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

(2) Fair Value Through Other Comprehensive Income (FVTOCI) Financial Assets

| Items | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Current item：<br>Equity Instruments | | |
| Listed company stocks | $ 151,959 | $ 154,402 |
| Evaluation adjusted | (31,453) | (55,886) |
| Total | $ 120,506 | $ 98,516 |
| Non-Current item：<br>Equity Instruments | | |
| Non-listed company stocks | $ 82,629 | $ 86,245 |
| Evaluation adjusted | (18,213) | (5,371) |
| Total | $ 64,416 | $ 80,874 |

1. The Group chose to classify the equity of strategic investments as financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI). The fair values of these investments as of December 31, 2020, and 2019 were NT 184,922 thousand and NT 179,390 thousand respectively.
2. The details of FVTOCI financial assets recognized in income and comprehensive income are listed below:

| | Year 2020 | Year 2019 |
|---|---|---|
| FVTOCI Equity Instruments | | |
| FVTOCI recognition adjusted | $ 16,638 | $ (17,675) |

3. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group outstanding FVTOCI financial assets on December 31, 2020, and 2019 were NT 184,922 thousand and NT 179,390 thousand respectively.
4. Risk and Fair Value information of the FVTOCI financial assets, please refer to notes 12 (2) and (3) for details.

(3) Amortized cost of financial assets

NT thousand dollars

| Items | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Current item: | | |
| Time Deposits (over 3 months) | $ 32,819 | $ 78,014 |
| Restricted deposit | 56,738 | - |
| Subtotal | $ 89,557 | $ 78,014 |
| Non-current item： | | |
| Restricted deposit | $ 32 | $ - |

1. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group's outstanding Amortized cost financial assets on December 31, 2020, and 2019 were NT 89,589 thousand and NT 78,014 thousand respectively.
2. The Group provides time deposits as pledge guarantees, please refer to Note 8 for details.

(4) Account receivable and Note Receivable

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Note Receivable(NR) | $ 18,537 | $ 2,592 |
| Account Receivable(AR) | $ 2,264,779 | $ 2,284,650 |
| Less：Allowance | (49,700) | (45,852) |
| | $ 2,215,079 | $ 2,238,798 |

1. Aging schedule of Account receivable and Note receivable is listed below:

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| | AR | NR | AR | NR |
| Not Overdue | $ 1,934,807 | $ 18,537 | $ 1,832,173 | $ 2,592 |
| Within 120 days | 232,660 | - | 360,656 | - |
| 121-240 days | 56,123 | - | 32,430 | - |
| 241-360 days | 18,974 | - | 40,073 | - |
| Over 361 days | 22,215 | - | 19,318 | - |
| | $ 2,264,779 | $ 18,537 | $ 2,284,650 | $ 2,592 |

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

2. As of December 31, 2020, December 31,2019, and January 1, 2019, the balance of account receivable (including note receivable) between the Group and its customers was NT 2,283,316 thousand, NT 2,287,242 thousand, and 2,045,650 thousand respectively.
3. The Group signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of December 31, 2020, and 2019, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was 727,869 thousand and 738,271 thousand respectively. On December 31, 2020, the valuation adjustment recognized in FVTOCI financial assets was

10,560 thousand; in addition, Accumulated Other comprehensive income reclassified to profits and losses was 9,048 thousand. For information about the transfer of financial assets, please refer to Note 6 (5).

4. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group's outstanding note receivable on December 31, 2020, and 2019 were NT 18,537 thousand and NT 2,592 thousand respectively; the maximum amount of credit risk exposure of the Group's outstanding account receivable on December 31, 2020, and 2019 were NT 2,264,779 thousand and NT 2,284,650 thousand respectively.
5. For information on the credit risk information of Account receivable and bills, please refer to Note 12 (2).

(5) Transfer of Financial Assets

Delist all financial assets transferred.

1. The Group signed an account receivable factoring contract with O-Bank in January 2018. According to the contract, when the Group sells account receivable to O-Bank, the bank prepays approximately 90% of AR to the Group, 10% remains will be paid to the group until the bank collects all the AR. The Group waives the risk of uncollectible accounts receivable but bears the burden by commercial disputes. The Group neither provides collaterals nor any continuous participation in all AR transferred, so the Group has already delisted the accounts receivable sold.
2. As of December 31, 2020, and 2019, the Group has delisted the AR, and the relevant information unexpired is as follows:

| Dec. 31, 2020 | | | | | |
|---|---|---|---|---|---|
| Financing objects | AR sold | Amount delisted | Amount prepaid | Amount unpaid | Rate range(%) |
| O-Bank | $178,478 | $ 178,478 | $ 160,550 | $ 17,928 | 0.85~1.15 |

| Dec. 31, 2019 | | | | | |
|---|---|---|---|---|---|
| Financing objects | AR sold | Amount delisted | Amount prepaid | Amount unpaid | Rate range(%) |
| O-Bank | $328,513 | $ 328,513 | $ 295,511 | $ 33,002 | 1.05~2.65 |

(6) Inventory

| | Dec. 31, 2020 | | |
|---|---|---|---|
| | Cost | Allowance for price reduction | Book Value |
| Raw Material | $ 411,270 | $ (10,149) | $ 401,121 |
| Work in Process | 759,158 | (16,288) | 742,870 |
| Finish Goods | 824,368 | (70,332) | 754,036 |
| Total | $ 1,994,796 | $ (96,769) | $ 1,898,027 |

| | Dec. 31, 2019 | | |
|---|---|---|---|
| | Cost | Allowance for price reduction | Book Value |
| Raw Material | $ 476,742 | $ (8,819) | $ 467,923 |
| Work in Process | 745,708 | (15,013) | 730,695 |
| Finish Goods | 751,927 | (67,021) | 684,906 |
| Total | $ 1,974,377 | $ (90,853) | $ 1,883,524 |

| Inventory cost recognized by the Group as expenses in the current period: | Year 2020 | Year 2019 |
|---|---|---|
| Cost of inventory sold | $ 4,070,631 | $ 4,348,419 |
| Allowances of loss for price decline and idle inventory | 7,905 | 11,504 |
| Income of the sale of scraps and obsoletes | (48,752) | (64,063) |
| Other | 8,440 | 127 |
| | $ 4,038,224 | $ 4,295,987 |

(7) Investments under Equity method

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

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| KAO FONG MACHINERY CO., LTD | $ 290,162 | $ 283,161 |
| LING WEI CO., Ltd. | 29,723 | 32,102 |
| TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | 3,736 | 3,736 |
| TAKAWA SEIKI, INC. | 3,472 | 3,109 |
| Subtotal | 327,093 | 322,108 |
| Less: Accumulated Loss | (3,736) | (3,736) |
| Total | $ 323,357 | $ 318,372 |

| | Fiscal Year 2020 | Fiscal Year 2019 |
|---|---|---|
| Continuing business unit's current net profit (loss) | $ (1, 369) | $ ( 1, 235) |
| Other comprehensive income (net after tax) | 92 | (8, 922) |
| Total comprehensive income for the current period | $ (1, 277) | $ (10, 157) |

2. The Group holds less than 20% of the shares of Kao Fong Machinery Co., Ltd., but because the Group has the ability to influence its financial and operational policies, it is classified as an Association of the Group.
3. The group's investment in Kao Fong Machinery Co., Ltd. has a public quote, and its fair value was NT 213,899 thousand and NT 198,648 thousand as of December 31, 2020, and 2019, respectively.
4. The group has assessed Taiwan Pyrolysis & Energy Regeneration Corp. has ceased business and has no actual operations. Therefore, the entire investment is listed as an impairment loss of NT 3,736 thousand.
5. The Group obtained 973 thousand shares of an Association, Kao Fong Machinery Co., Ltd., adopting the equity method in the fiscal Year 2020. As of December 31, 2020, the shareholding ratio was 16.11%.

6. The details of the share of the profits and losses of Associations and Joint ventures that adopt the equity method are as follows:

Investment profit (loss)

| Association Invested | Fiscal Year 2020 | Fiscal Year 2019 |
|---|---|---|
| KAO FONG MACHINERY CO., LTD | $ (1,968) | $ (4,356) |
| LING WEI CO., Ltd. | 62 | 3,049 |
| TAKAWA SEIKI, INC. | 537 | 72 |
| Total | $ (1,369) | $ (1,235) |

The share of the profits and losses of the Associations recognized for the investment using the equity method is based on the evaluation of the financial statements of the investee companies that have been reviewed by the accountant during the same period.

7. For information on guarantees provided by investment using the equity method, please refer to Note 8 for details.

(Blank below)

(8) Real Estate, Plants and Equipment

Year 2020

| Cost | Balance, begin | Additions | Disposals | Transfers | Net difference | Balance, End |
|---|---|---|---|---|---|---|
| Lands | $ 1,779,124 | $ 80,250 | $ - | $ - | $ (5,093) | $ 1,854,281 |
| Buildings | 3,467,978 | 151,795 | (900) | 11,371 | (4,559) | 3,625,685 |
| Machinery and Equipment | 7,508,976 | 345,576 | (102,196) | 242,601 | 7,012 | 8,001,969 |
| Transportation | 56,205 | 2,453 | (323) | - | 60 | 58,395 |
| Utility | 58,658 | 1,535 | - | 3,978 | 5 | 64,176 |
| Other equipment | 566,128 | 117,410 | (151,409) | 12,285 | 282 | 544,696 |
| Projects uncomplete and equipment to be inspected | 635,172 | 563,762 | - | (55,454) | 2,165 | 1,145,645 |
| Subtotal | $ 14,072,241 | $ 1,262,781 | $ (254,828) | $ 214,781 | $ (128) | $ 15,294,847 |

| Accumulated Depreciation | Balance, begin | Additions | Disposals | Transfers | Net difference | Balance, End |
|---|---|---|---|---|---|---|
| Buildings | $ 693,606 | $ 96,689 | $ (450) | $ - | $ (858) | $ 788,987 |
| Machinery and Equipment | 2,398,492 | 361,689 | (97,857) | - | 2,127 | 2,664,451 |
| Transportation | 21,615 | 4,750 | - | - | 30 | 26,395 |
| Utility | 19,508 | 3,125 | - | - | 1 | 22,634 |
| Other equipment | 266,599 | 133,568 | (148,780) | - | 140 | 251,527 |
| Subtotal | $ 3,399,820 | $ 599,821 | $ (247,087) | $ - | $ 1,440 | $ 3,753,994 |
| TOTAL | $ 10,672,421 | | | | | $ 11,540,853 |

Year 2019

| Cost | Balance, begin | Additions | Disposals | Transfers | Net difference | Balance, End |
|---|---|---|---|---|---|---|
| Lands | $ 1,401,750 | $ 378,447 | $ - | $ - | $ (1,073) | $ 1,779,124 |
| Buildings | 3,285,908 | 158,981 | - | 32,291 | (9,202) | 3,467,978 |
| Machinery and Equipment | 6,397,229 | 211,220 | (54,143) | 968,320 | (13,650) | 7,508,976 |
| Transportation | 53,956 | 2,946 | (3,798) | 3,240 | (139) | 56,205 |
| Utility | 42,812 | 2,036 | - | 13,821 | (11) | 58,658 |
| Other equipment | 438,517 | 149,128 | (24,774) | 4,161 | (904) | 566,128 |
| Projects uncomplete and equipment to be inspected | 183,869 | 518,031 | - | (62,635) | (4,093) | 635,172 |
| Subtotal | $ 11,804,041 | $ 1,420,789 | $ (82,715) | $ 959,198 | $ (29,072) | $ 14,072,241 |

| Accumulated Depreciation | Balance, begin | Additions | Disposals | Transfers | Net difference | Balance, End |
|---|---|---|---|---|---|---|
| Buildings | $ 605,150 | $ 89,699 | $ - | $ - | $ (1,243) | $ 693,606 |
| Machinery and Equipment | 2,118,938 | 320,605 | (41,058) | 4,822 | (4,815) | 2,398,492 |
| Transportation | 19,686 | 4,323 | (2,348) | - | (46) | 21,615 |
| Utility | 16,702 | 2,808 | - | - | (2) | 19,508 |
| Other equipment | 136,245 | 160,500 | (24,774) | (4,822) | (550) | 266,599 |
| Subtotal | $ 2,896,721 | $ 577,935 | $ (68,180) | $ - | $ (6,656) | $ 3,399,820 |
| TOTAL | $ 8,907,320 | | | | | $ 10,672,421 |

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

| | Fiscal Year 2020 | Fiscal Year 2019 |
|---|---|---|
| Capitalization Amount | $ 16,688 | $ 9,057 |
| Interest Rate Range | 1.20% | 1.30% |

(9) Lease transaction as a Lessee

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

| Book Value | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Land | $ 294,353 | $ 304,483 |
| Buildings | 21,991 | 43,817 |
| Transportation equipment | 696 | 338 |
| Other equipment | 5 | 33 |
| Total | $ 317,045 | $ 348,671 |

| Depreciation | Fiscal Year 2020 | Fiscal Year 2019 |
|---|---|---|
| Land | $ 7,916 | $ 7,731 |
| Buildings | 10,995 | 15,791 |
| Transportation equipment | 4,323 | 5,218 |
| Other equipment | 28 | 30 |
| Total | $ 23,262 | $ 28,770 |

The changes in the right-to-use assets of the Group in the year 2020, and 2019 are as follows:

| | Year 2020 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Transportation equip. | Other equip. | Total |
| Balance on Jan. 1 | $ 304,483 | $ 43,817 | $ 338 | $ 33 | $ 348,671 |
| Additions | - | - | 4,681 | - | 4,681 |
| Lease modification | (3,523) | (10,776) | - | - | (14,299) |
| Depreciation | (7,916) | (10,995) | (4,323) | (28) | (23,262) |
| Net exchange difference | 1,309 | (55) | - | - | 1,254 |
| Balance on Dec. 31 | $ 294,353 | $ 21,991 | $ 696 | $ 5 | $ 317,045 |

| | Year 2019 | | | | |
|---|---|---|---|---|---|
| | Land | Buildings | Transportation equip. | Other equip. | Total |
| Balance on Jan. 1 | $313,943 | $ 41,767 | $ 5,617 | $ 65 | $ 361,392 |
| Additions | - | 17,885 | - | - | 17,885 |
| Depreciation | (7,731) | (15,791) | (5,218) | (30) | (28,770) |
| Net exchange difference | (1,729) | (44) | (61) | (2) | (1,836) |
| Balance on Dec. 31 | $304,483 | $ 43,817 | $ 338 | $ 33 | $ 348,671 |

4. The increase in the right-to-use assets of the Group in the Year 2020 and 2019 were NT 4,681 thousand and NT 17,885 thousand respectively.
5. Information about the profit and loss for the lease contracts are as follows:

| Items affecting current profit and loss | Year 2020 | Year 2019 |
|---|---|---|
| Interest expense on lease liability | $ 4,780 | $ 4,738 |
| Expenses for short-term lease contracts | 9,162 | 796 |
| Lease modification benefits | 320 | - |

6. The total lease cash outflows of the Group in 2020 and 2019 were NT 34,078 thousand and 30,743 thousand respectively.

(10) Lease transaction as a Lessor

1. The subject assets leased by the Group include buildings, machinery, and equipment. The lease contract period usually ranges from 3 to 20 years. The lease contract is based on a separate agreement and contains various terms and conditions.
2. The benefits of the Group based on the business leases recognized in the year 2020 and 2019 are as follows:

| | Year 2020 | Year 2019 |
|---|---|---|
| Rental income | $ 19,454 | $ 16,006 |
| Rental income recognized as variable lease payments | 1,280 | 1,053 |

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

| Duration | Dec. 31, 2020 | Duration | Dec. 31, 2019 |
|---|---|---|---|
| Year 2020 | $ 7,569 | Year 2019 | $ 16,482 |
| Year 2021 | 3,438 | Year 2020 | 14,655 |
| Year 2022 | 341 | Year 2021 | 486 |
| Year 2023 | 50 | Year 2022 | 341 |
| Year 2024 | 50 | Year 2023 | 50 |
| Year 2025 | 50 | Year 2024 | 50 |
| After Year 2026 | 550 | After Year 2025 | 600 |
| Total | $ 12,048 | Total | $ 32,664 |

(11) Other non-current assets

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Prepayment for equipment | $ 450,755 | $ 374,464 |
| Prepayment for construction | 33,176 | 21,190 |
| Refundable deposits | 7,646 | 8,693 |
| Other non-current assets | 134,061 | 116,513 |
| Total | $ 625,638 | $ 520,860 |

1. The Company acquired land number #1088, Guang zheng Section, Dali District, Taichung City, with a book value of NT 87,818 thousand. The land is adjacent to the industrial zone, and because it is agricultural land that cannot be transferred to the Company to be the owner temporarily. The Company retains the original certificate of the land ownership and has a trust agreement with the nominal owner. The two parties have agreed before the ownership registration, the nominal owner shall not transfer the ownership to any third party nor set up any mortgage.
2. The Group signed a contract with the People's Republic of China for the right to use the designated land in the Huai'an Economic Development Zone on June 4, 2012. The term is 50 years. The lease has been paid in full when it was signed.
   Note: The group reclassified the prepaid long-term rent to the right-to-use assets on January 1, 2019. For relevant information, please refer to Note 6 (9).
3. For information on other non-current assets as collateral, please refer to Note 8 for details.

(12) Short-term Loan

| Property of Loan | Dec. 31, 2020 | Rate range | Collaterals |
|---|---|---|---|
| Bank Loan | | | |
| Secured Loan | $ 145,963 | 0.85%~0.92% | Investment, plant, buildings, machinery and equipment using the equity method |
| Credit Loan | 1,942,790 | 0.68%~3.05% | |
| Total | $ 2,088,753 | | |

| Property of Loan | Dec. 31, 2019 | Rate range | Collaterals |
|---|---|---|---|
| Bank Loan | | | |
| Secured Loan | $ 102,000 | 0.9%~1.39% | Investment, plant, buildings, machinery and equipment using the equity method |
| Credit Loan | 1,018,130 | 0.8%~3.05% | |
| Total | $ 1,120,130 | | |

(13) Short-term notes & bills payable

| Bills finance company | Dec. 31, 2020 | Rate of issuance | Collaterals |
|---|---|---|---|
| E.Sun Bills | $ 300,000 | 1.39% | Note |
| Mega Bills | 100,000 | 0.92% | - |
| China Bills | 200,000 | 0.92% | - |
| Total | $ 600,000 | | |

| Bills finance company | Dec. 31, 2019 | Rate of issuance | Collaterals |
|---|---|---|---|
| E.Sun Bills | $ 300,000 | 1.52% | Note |
| Mega Bills | 100,000 | 0.92% | - |
| China Bills | 100,000 | 0.92% | - |
| China Bills | 60,000 | 0.92% | - |
| Total | $ 560,000 | | |

Note：E.Sun Bills credit line is the combined credit line from the Syndicated Loans of E.Sun Bank. The combined book value is NT 300,000 thousand.

(14) Other Payables

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Salary Payable | $ 86,827 | $ 112,333 |
| Remuneration payable to directors | 3,521 | 9,789 |
| Equipment payment payable | 91,933 | 212,870 |
| other | 255,432 | 204,963 |
| Total | $ 437,713 | $ 539,955 |

(15) Long-term Loan

Unit: NT thousand dollars

| Loan type | Loan period and repayment method | Interest rate range | Collateral | Dec. 31, 2020 |
|---|---|---|---|---|
| Syndicated secured Loans – E.Sun Bank | Since July 15, 2016, every 6 months, repayment in installments until July 22, 2022 | 1.79% | Plants, office buildings and machinery equipment | $ 1,333,704 |
| Secured Loan | Sequentially due before May, 2039. Repayments in installments. | 0.00%~5.25% | Land, buildings, plants, machinery equipment | 3,530,191 |
| Credit Loan | Sequentially due before May, 2026. Repayments in installments. | 0.10%~1.21% | - | 2,382,070 |
| Subtotal | | | | 7,245,965 |
| Less: Long-term loans due within one year or one operating cycle (listed other current liabilities) | | | | (2,156,481) |
| Less: Government grant discount | | | | (46,789) |
| Total | | | | $ 5,042,695 |

Unit: NT thousand dollars

| Loan type | Loan period and repayment method | Interest rate range | Collateral | Dec. 31, 2019 |
|---|---|---|---|---|
| Syndicated secured Loans – E.Sun Bank | Since July 15, 2016, every 6 months, repayment in installments until July 22, 2022 | 1.79% | Plants,office buildings and machinery equipment | $ 1,028,000 |
| Secured Loan | Sequentially due before May, 2026. Repayments in installments. | 1.20%~5.25% | Land, buildings, plants, machinery equipment | 3,258,714 |
| Credit Loan | Sequentially due before May, 2022. Repayments in installments. | 0.10%~1.47% | - | 2,543,218 |
| Subtotal | | | | 6,829,932 |
| Less: Long-term loans due within one year or one operating cycle (listed other current liabilities) | | | | (1,612,457) |
| Total | | | | $ 5,217,475 |

1.
   (1) On June 4, 2019, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 1,000, 000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 500,000 thousand, and the undrawn amount was NT 500,000 thousand.
   (2) On May 3, 2016, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 3,000, 000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 1,133,704 thousand, and the undrawn amount was NT 810,000 thousand.
   In addition to other relevant regulations, the above-mentioned syndication loan contract includes the following restrictions: during the credit period, the following financial ratios shall be maintained, and be reexamined in the financial statements verified by the accountant every six months.
      A. The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line)] shall keep at 100% (inclusive) or more.
      B. The Liabilities ratio (Liabilities/tangible assets net value) shall keep below 220% (inclusive) in 2013 and 2014, and below 200% (inclusive) after 2015 (inclusive).
      C. The minimum net value of tangible assets shall keep at more than NT 4 billion.
   (3) During the credit period and the provisions of the syndication loan contract, the Company must follow specific financial ratios at the end of the year and half of the year, such as the current ratio, debt to equity ratio, and interest protection multiple requirements. As of December 31, 2020, the Company has not violated the above restrictions.
2. On July 18, 2019, the Group signed a low-interest loan contract with First Commercial Bank to supplement the use of medium-term working capital. The loan interest is based on Chunghwa Post's two-year time deposit floating interest rate adds 0.1% is paid on a monthly basis and will be adjusted when the pricing interest rate is adjusted.

(16) Government Grant

The Group obtained government preferential interest rate loans from Taiwan Business Bank, First Bank, and Taiwan Cooperative Bank of the "Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan". As of December 31, 2020, the total amount was NT 2,399,600 thousand is used for operating turnover, purchasing machinery and equipment, and building factories. The loan will be repaid from August 2021 to November 2030. Based on the market interest rate at the time of 1.40%~ 1.50%, the total fair value of the borrowing is estimated to be NT 1,536,072 thousand, and the difference between the amount obtained and the fair value of the borrowing is NT 46,789 thousand, which is regarded as a government low-interest grant and recognized as Deferred income (listed in the table "Other non-current liabilities"). The deferred income that exceeds the paid-in period shall be transferred to other income in a straight line method.

(17) Pension

1.

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

In addition, the Company should calculate the amount of pensions for those who meet the statutory retirement conditions in the next year before the end of each year and make a provision for the difference before the end of March of the following year.

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

NT thousand dollars

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| The present value of net defined benefit obligations | $ 201,364 | $ 225,310 |
| Fair value of project assets | (117,687) | (131,736) |
| Net defined benefit liabilities | $ 83,677 | $ 93,574 |

(Blank below)

## (3) The changes to the present value of Defined Benefits are as follows:

| | Present value of Defined benefit Liabilities | Fair value of project assets | Net defined benefit liabilities |
|---|---|---|---|
| Year 2020 | | | |
| Balance on Jan. 1 | $ 225,310 | $ (131,736) | $ 93,574 |
| Current Service Cost | 1,314 | - | 1,314 |
| Interest Expense (Income) | 1,413 | (833) | 580 |
| Subtotal | 228,037 | (132,569) | 95,468 |
| Remeasurement: | | | |
| planned asset earning (Exclude money in interest income or expenses) | - | (4,259) | (4,259) |
| Changes by Demographic assumptions Impact | 32 | - | 32 |
| Changes by Financial assumptions impact | 5,526 | - | 5,526 |
| Changes by Plan reduction | (155) | - | (155) |
| Adjustment by Experience | (3,031) | - | (3,031) |
| Subtotal | 2,372 | (4,259) | (1,887) |
| Provision to the Pension fund | | (9,904) | (9,904) |
| Pension payment | (29,045) | 29,045 | |
| Balance on Dec. 31 | $ 201,364 | $ (117,687) | $ 83,677 |

| | Present value of Defined benefit Liabilities | Fair value of project assets | Net defined benefit liabilities |
|---|---|---|---|
| Year 2019 | | | |
| Balance on Jan. 1 | $ 243,847 | $ (115,799) | $ 128,048 |
| Current Service Cost | 2,702 | - | 2,702 |
| Interest Expense (Income) | 1,813 | (903) | 910 |
| Subtotal | 248,362 | (116,702) | 131,660 |
| Remeasurement: | | | |
| planned asset earning (Exclude money in interest income or expenses) | - | (4,316) | (4,316) |
| Changes by Demographic assumptions Impact | 117 | - | 117 |
| Changes by Financial assumptions impact | 1,992 | - | 1,992 |
| Adjustment by Experience | (20,688) | - | (20,688) |
| Subtotal | (18,579) | (4,316) | (22,895) |
| Provision to the Pension fund | | (15,191) | (15,191) |
| Pension payment | (4,473) | 4,473 | |
| Balance on Dec. 31 | $ 225,310 | $ (131,736) | $ 93,574 |

(4) The assets of the Company's defined benefit pension fund are items within the scope and amount of entrusted business projects stipulated by the Bank of Taiwan in accordance with Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund". The annual investment plan of the fund (that is, deposits in domestic and overseas financial institutions, investment in domestic and overseas listings, over-the-counter or private equity securities, investment in domestic and overseas real estate securitization products, etc.) to handle entrusted business, and related operation are supervised by the Pension Fund Supervision Committee. When using the fund, the minimum income of its annual final accounting distribution shall not be lower than the income calculated based on the two-year time deposit interest rate of local banks in Taiwan. If it is insufficient, it shall be supplemented by the State Treasury after approval by the competent authority. As of December 31, 2020, and 2019, the fair value of the fund's total assets, please refer to the report published by the Government on the annual use of labor pension funds.

(5) The summary of the actuarial assumptions regarding pension payments is as follows:

| | Year 2020 | | Year 2019 | |
|---|---|---|---|---|
| | The Company | Subsidiaries | The Company | Subsidiaries |
| Discount Rate | 0.30% | 0.30% | 0.65% | 0.65% |
| Future salary increase rate | 3.00% | 2.00% | 3.00% | 2.00% |

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

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

| Impact on the present value of Defined Benefit Liabilities | Discount Rate | | Future salary increase rate | |
|---|---|---|---|---|
| | +0.25% | -0.25% | +0.25% | -0.25% |
| Dec. 31, 2020 | $ (3,973) | $ 4,120 | $ 4,003 | $ (3,882) |
| Dec. 31, 2019 | $ (4,306) | $ 4,465 | $ 4,353 | $ 4,222 |

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

(6) The Company's estimated payment for the retirement plan in the year 2021 is NT 7,850 thousand.

(7) As of December 31, 2020, the weighted average duration of the retirement plan was 8 years. An analysis of the grant date of the retirement payment is as follows:

| The Grant date due | Retirement Payment Due |
|---|---|
| Less than 1 year | $ 13,460 |
| 1~2 years | 22,671 |
| 2~5 years | 61,169 |
| More than 5 years | 108,394 |
| Total | $ 205,694 |

2.

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

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

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

（4） In the year 2020 and 2019, the company recognized the cost of retirement payment according to the above-mentioned method are NT 32,166 thousand and NT 42,800 thousand respectively.

## (18) Share-Based Payments

1. The Group’s share-based payments of 2020 are as follows:

| Types of Agreements | Grant Date | Grant Amount | Contract Period | Vesting Conditions |
|---|---|---|---|---|
| Cash capital increase to retain employee subscription | December 15, 2020 | 1,393 units | NA | Immediately vested |

2. The Group used the stock closing market prices as fair value measurement for the transaction of share-based payments at the grant date. The relevant information are as follows:

| Types of Agreements | Grant Date | Stock Value | Strike Price | Expected Volatility | Expected Duration | Expected Dividend | Risk-free Interest Rate | Per Unit Fair value |
|---|---|---|---|---|---|---|---|---|
| Cash capital increase to retain employee subscription | December 15, 2020 | 105 | 90 | - | - | - | - | 15 |

3. Expenses arising from share-based payment transaction are as follow:

| | 2020 |
|---|---|
| Equity-settled | $ 20,895 |

For the year ended December 31, 2019: None.

## (19) Share capital

1. As of December 31, 2020, Company’s authorized capital was $3,500,000,000 and the paid-in capital was $2 ,545,175,000, consisting of 254,957 thousand shares of common stock with a par value of $10 (in dollars) per share. As of December 31, 2020, total outstanding shares were 254, 518 thousand.
   The Company’s common stock shares outstanding (shares in thousands) at the beginning and at the end of the year are as follows:

| | 2020 | 2019 |
|---|---|---|
| At January 1 | 254,957 | 254,957 |
| Stock repurchase (Note) | (439) | - |
| At December 31 | 254,518 | 254,957 |

Note: The Company was approved by the resolution of the Board of Directors to decrease in treasury stock of 439 thousand shares. The record date of capital reduction for the decrease in treasury stock was August 14, 2020, and the alteration registration had been made on August 27, 2020.

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

3. Treasury Stock

(1) For considerations of Company management, by the resolution of Board of Directors on March 26, 2020, it is decided to buy back the Company stock of the number of 6,000 thousand shares with the buyback price between NT$60 and NT$90 from March 27, 2020 to May 26, 2020. As of December 31, 2020, 439 thousand shares have been bought back by the Company with the total amount of NT$35,010,000.

(2) According to the Securities and Exchange Act, the number of shares bought back may not exceed ten percent of the total number issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.

(3) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.

(4) Pursuant to the Securities and Exchange Act, where the buyback is for transferring shares to its employees shall be transferred within five years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and amendment registration shall be processed. Where the buyback is required to maintain the Company's credit and shareholders' rights and interests, and the shares so purchased are cancelled for which amendment registration shall be effected within six months from the date of buyback.

(20 ) Capital reserve

| May be used to offset a deficit, distribute cash dividends or capital surplus | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Additional paid-in capital | $ 1,879,608 | $ 1,907,828 |
| May be used to offset a deficit only | | |
| Changes in ownership interests in subsidiaries | 5,667 | 5,667 |
| Gain from asset disposition | 309 | 309 |
| May not be used for any purpose | | |
| Cash capital increase to retain employee subscription | 20,895 | 2,400 |

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

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Additional paid-in capital | Stock option | Gain from asset disposition | Changes in ownership interests in subsidiaries | Total |
| Beginning balance | $1,910,228 | $ - | $ 309 | $ 5,667 | $ 1,916,204 |
| Cash capital increase | - | 20,895 | - | - | 20,895 |
| Treasury stock disposition | ( 30,620) | - | - | - | ( 30,620) |
| Balance at the end of 2020 | $ 1,879,608 | $ 20,895 | $ 309 | $ 5,667 | $ 1,906,479 |

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Additional paid-in capital | Stock option | Gain from asset disposition | Changes in ownership interests in subsidiaries | Total |
| Beginning balance / Balance at the end of 2019 | $ 1,907,828 | $ 2,400 | $ 309 | $ 5,667 | $ 1,916,204 |

3. By the resolution of Board of Directors on March 17, 2021, the Company shall allocate cash dividends from capital reserve with a distribution of $0.26 per share and the total dividends will be NT$72,675,000, which is to be presented for approval in the shareholders' meeting.

(21) Retained earnings

1. Under the Company's Articles of Incorporation, when there is net profit for each fiscal year, except for income tax payment, the Company shall offset a deficit in priority, and set aside 10% of the balance as legal reserve. After setting aside in accordance with the laws and regulations or as reversal of special reserve, "preferred stock is distributed preferably from the current year shall distribute and accumulated unappropriated dividends from each previous fiscal year." When there is profit for each fiscal year, the Company shall set aside not less than 2% as employees' compensation and not more than 5% as bonus to directors; the rest plus unappropriated earnings of the last fiscal year shall be proposed the surplus earning distribution and presented to the shareholders' meeting for approval.
2. The Company dividend policy is as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ration for cash dividend shall not lower than 20% of total distribution.
3. Legal reserve can only be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership; where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) At the time of initial application of IFRS, special reserve set aside, referred in Rule No. Financial-Supervisory-Securities-Issuing-1010012865 issued on April 6, 2012, shall be transferred into retained earnings from unrealized revaluation increments and cumulative translation adjustment under equity upon the acceptance of application of IFRS 1 exemption. However, the Group has negative number in net effect of retained earnings, special reserve is no need to be set aside.

5. The appropriations of earnings for 2020 and 2019 had been resolved at the Board of Directors on March 17, 2021 and the shareholders' meeting on June 10, 2020, respectively. Details are summarized below:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Dividends per share (in dollars) | Amount | Dividends per share (in dollars) |
| Capital reserve to distribute cash dividends | $ 72,675 | $ 0.26 | $ - | $ - |
| Legal reserve | 29,489 | | 66,870 | |
| Special reserve | - | | 24,386 | |
| Cash dividends | 234,795 | 0.84 | 509,913 | 2.00 |

6. Please refer to Note 6(28) for employees' compensation and directors' remuneration.

(22) Other equity items

| | 2020 | | | |
|---|---|---|---|---|
| | Financial statements translation differences of foreign operations | Debit instrument unrealized valuation profit (loss) measured at fair value through other comprehensive income | Equity instrument unrealized valuation profit (loss) measured at fair value through other comprehensive income | Total |
| Valuation adjustments at January 1 | ($ 32,179) | ($ 20,881) | $ 4,824 | ($ 48,236) |
| – Group | - | 10,321 | 16,061 | 26,382 |
| – Associates | - | - | 4,416 | 4,416 |
| Valuation adjustments transfer into retained earnings | - | - | ( 7,436) | ( 7,436) |
| Differences for foreign currency translation： | | | | |
| –Group | ( 8,145) | - | - | ( 8,145) |
| –Tax for Group | 2,192 | - | - | 2,192 |
| –Associates | ( 4,324) | - | - | ( 4,324) |
| –Tax for associates | 35 | - | - | 35 |
| At December 31 | ($ 42,421) | ($ 10,560) | $ 17,865 | ($ 35,116) |

| | 2019 | | | |
|---|---|---|---|---|
| | Financial statements translation differences of foreign operations | Debit instrument unrealized valuation profit (loss) measured at fair value through other comprehensive income | Equity instrument unrealized valuation profit (loss) measured at fair value through other comprehensive income | Total |
| Valuation adjustments at January 1 | ($ 16,067) | ($ 36,484) | $ 28,702 | ($ 23,849) |
| –Group | - | 15,603 | ( 17,387) | ( 1,784) |
| –Associates | - | - | ( 7,619) | ( 7,619) |
| Valuation adjustments transfer into retained earnings | - | - | 1,128 | 1,128 |
| Differences for foreign currency translation： | | | | |
| –Group | ( 16,403) | - | - | ( 16,403) |
| –Tax for Group | 1,579 | - | - | 1,579 |
| –Associates | ( 1,303) | - | - | ( 1,303) |
| – Tax for associates | 15 | - | - | 15 |
| At December 31 | ($ 32,179) | ($ 20,881) | $ 4,824 | ($ 48,236) |

(23) Operating revenue

| | 2020 | 2019 |
|---|---|---|
| Revenue from contracts with customers | $ 5,211,042 | $ 5,968,347 |

1. Disaggregation of revenue from contracts with customers

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

| | 2020 | | | | |
|---|---|---|---|---|---|
| | Transmission components for car | | | | |
| | USA | China | Taiwan | Other regions | Total |
| Revenue from segments | $3,744,528 | $573,994 | $300,056 | $692,940 | $5,311,518 |
| Revenue from internal segments transaction | ( 23,995) | ( 18,171) | ( 58,310) | - | ( 100,476) |
| Revenue from external customer contracts | $3,720,533 | $555,823 | $241,746 | $692,940 | $ 5,211,042 |
| Revenue recognition time | | | | | |
| Revenue recognition at a point of time | $3,720,533 | $555,823 | $241,746 | $692,940 | $5,211,042 |

(1) USA: HOTA Industrial NT$3,683,173,000 and others NT$ 37,360,000.
(2) China: HOTA Industrial NT$184,870,000 and others NT$370,953,000.
(3) Taiwan: HOTA Industrial NT$ 202,262,000 and others NT$39,484,000.
(4) Others: HOTA Industrial NT$692,940,000.

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Transmission components for car | | | | |
| | USA | China | Taiwan | Other regions | Total |
| Revenue from segments | $4,673,577 | $373,291 | $328,631 | $729,593 | $6,105,092 |
| Revenue from internal segments transaction | ( 48,550) | ( 17,691) | ( 70,504) | - | ( 136,745) |
| Revenue from external customer contracts | $4,625,027 | $355,600 | $258,127 | $729,593 | $ 5,968,347 |
| Revenue recognition time | | | | | |
| Revenue recognition at a point of time | $4,625,027 | $355,600 | $258,127 | $729,593 | $ 5,968,347 |

(1) USA: HOTA Industrial NT$ 4,540,713,000 and others NT$84,314,000.
(2) China: HOTA Industrial NT$162,571,000 and other NT$139,029,000.
(3) Taiwan: HOTA Industrial NT$201,834,000 and others NT$56,293,000.
(4) Others: HOTA Industrial NT$729,593,000.

2. Contract assets and contract liabilities: None.

(24) Interest income

| | 2020 | 2019 |
|---|---|---|
| Interest income from bank deposits | $ 1,819 | $ 4,449 |
| Interest income financial assets measured at amortized cost | 259 | 542 |
| Other interest income | 2,725 | 4,518 |
| | $ 4,803 | $ 9,509 |

(25) Other income

| | 2020 | 2019 |
|---|---|---|
| Rent income | $ 20,734 | $ 17,059 |
| Dividend revenue | 4,093 | 3,239 |
| Government grants income | 58,944 | 178 |
| Other income-other | 27,039 | 35,007 |
| | $ 110,810 | $ 55,483 |

(26) Other gains and losses

| | 2020 | 2019 |
|---|---|---|
| Gains on disposals of property, plant and equipment | $ 2, 494 | $ 329 |
| Foreign exchange losses | ( 80, 837) | ( 49, 340) |
| Gains on financial asset at fair value through profit or loss | - | 2, 084 |
| Gains on lease modification | 276 | - |
| Others | ( 449) | ( 335) |
| | ($ 78, 516) | ($ 47, 262) |

(27) Finance costs

| | 2020 | 2019 |
|---|---|---|
| Interest expense from bank borrowings | $ 120, 199 | $ 94, 424 |
| Less: Qualifying capitalization of interest | ( 16, 688) | ( 9, 057) |
| Subtotal | 103, 511 | 85, 367 |
| Interest expense-lease liabilities | 4, 780 | 4, 738 |
| Finance costs | $ 108, 291 | $ 90, 105 |

(28) Expenses by nature (including employee benefit expense)

| | 2020 | 2019 |
|---|---|---|
| Employee benefit expense | | |
| Salaries and wages | $ 713,019 | $ 785,683 |
| Labor and health insurance | 76,536 | 88,306 |
| Pension | 33,905 | 41,634 |
| Other personnel expenses | 55,925 | 65,792 |
| | $ 879,385 | $ 981,415 |
| Depreciation on property, plant and equipment | $ 599,821 | $ 577,935 |
| Depreciation on right-of-use assets | $ 23,262 | $ 28,770 |
| Amortization | $ 10,067 | $ 9,725 |

1. The numbers of employees of the Group for 2020 and 2019 were 1,279 and1,303 respectively, and among them, directors who were not concurrent employees, were 10 and 10, respectively.

2. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be less than 2% for employees' compensation and shall not be higher than 5% for directors' remuneration.

3. For the years ended December 31, 2020 and 2019, employee's compensation and directors' remuneration were accrued at as follows:

| | 2020 | 2019 |
|---|---|---|
| Employees' compensation | $ 6,716 | $ 16,312 |
| Directors' remuneration | 3,521 | 9,549 |
| | $ 10,237 | $ 25,861 |

The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2.05% and 1.07% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' remuneration resolved by the Board of Directors on March 17, 2021, were $6,716 and $3,521, and the employees' compensation will be distributed in the form of cash.

Employees' compensation of 2019 as resolved by the Board of Directors on May 14, 2020 was in agreement with those amounts recognized in the 2019 financial statements. Due to the impact of COVID-19, the Group's order volume sharply dropped, a reduction of NT$2,000,000 on the directors' remuneration for 2019 was approved in order to replenish the Company's operating capital, and the directors' remuneration will be NT$7,549,000 after the reduction.

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

(29) Income tax

1. Income tax expense

(1) Components of income tax expense:

| | 2020 | 2019 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | $ 50,883 | $ 146,263 |
| Surtax on undistributed retained earning | 3,376 | 11,044 |
| Tax effect of investment tax credits | ( 32,127) | ( 76,347) |
| Prior year income tax underestimation(overestimation) | 2,211 | ( 3,621) |
| Total current tax | 24,343 | 77,339 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 14,145 | 14,531 |
| Total deferred tax | 14,145 | 14,531 |
| Income tax expense | $ 38,488 | $ 91,870 |

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

| | 2020 | 2019 |
|---|---|---|
| Exchange difference on translation of foreign operations | $ 2,227 | $ 1,594 |
| Remeasurements of defined benefit obligation | ( 348) | ( 4,577) |
| | $ 1,879 | ($ 2,983) |

2. Reconciliation between income tax expense and accounting profit

| | 2020 | 2019 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 72,074 | $ 162,575 |
| Tax effect disallowed by tax regulation | 909 | 235 |
| Exempt from income tax pursuant to the Income Tax Act | ( 7,955) | ( 2,016) |
| Tax effect of investment tax credits | ( 32,127) | ( 76,347) |
| Prior year income tax underestimation(overestimation) | 2,211 | ( 3,621) |
| Surtax on undistributed retained earning | 3,376 | 11,044 |
| Income tax expense | $ 38,488 | $ 91,870 |

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

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Deferred tax assets： | | | | |
| －temporary differences: | | | | |
| Losses on foreign long-term equity investments | $ 13,380 | $ 1,489 | $ - | $ 14,869 |
| Allowance for inventory valuation and obsolescence losses | 15,929 | 1,581 | - | 17,510 |
| Unappropriated accrued pension | 4,979 | ( 2,010) | - | 2,969 |
| Allowance for uncollectible accounts | 2,698 | 555 | - | 3,253 |
| Remeasurements of defined benefit obligation | 7,765 | - | ( 348) | 7,417 |
| Differences between the accounting treatment and tax regulations in right-of-use assets | 403 | 2,962 | - | 3,365 |
| Unrealized foreign exchange loss | 6,494 | 2,009 | - | 8,503 |
| Loss tax credit | - | 187 | - | 187 |
| Others | 5,554 | ( 284) | - | 5,270 |
| Subtotal | $ 57,202 | $ 6,489 | ($ 348) | $63,343 |
| －Deferred income tax liabilities: Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment | ($ 56,557) | $ 7,656 | $ - | ($48,901) |
| Exchange difference on translation of foreign operations | ( 6,266) | - | 2,227 | ( 4,039) |
| Land value increment tax | ( 1,417) | - | - | ( 1,417) |
| Subtotal | ($ 64,240) | $ 7,656 | $ 2,227 | ($ 54,357) |
| Total | | $ 14,145 | $ 1,879 | |

| | 2019 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Deferred tax assets： | | | | |
| －temporary differences: | | | | |
| Losses on foreign long-term equity investments | $ 12,147 | $ 1,233 | $ - | $ 13,380 |
| Allowance for inventory valuation and obsolescence losses | 13,628 | 2,301 | - | 15,929 |
| Unappropriated accrued pension | 11,922 | ( 6,943) | - | 4,979 |
| Allowance for uncollectible accounts | 2,698 | - | - | 2,698 |
| Remeasurements of defined benefit obligation | 12,342 | - | ( 4,577) | 7,765 |
| Differences between the accounting treatment and tax regulations in right-of-use assets | - | 403 | - | 403 |
| Unrealized foreign exchange loss | - | 6,494 | - | 6,494 |
| Others | 4,844 | 710 | - | 5,554 |
| Subtotal | $ 57,581 | $ 4,198 | ($ 4,577) | $ 57,202 |
| －Deferred income tax liabilities: | | | | |
| Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment | ($ 66,326) | $ 9,769 | $ - | ($ 56,557) |
| Exchange difference on translation of foreign operations | ( 7,860) | - | 1,594 | ( 6,266) |
| Land value increment tax | ( 1,417) | - | - | ( 1,417) |
| Unrealized foreign exchange profit | ( 564) | 564 | - | - |
| Subtotal | ($ 76,167) | $ 10,333 | $ 1,594 | ($ 64,240) |
| Total | | $ 14,531 | ($ 2,983) | |

4. Deductible temporary difference of unrecognized deferred tax assets

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Deductible temporary difference | $ 6,775 | $ 6,755 |

5. The Company and its subsidiaries', HOWIN and HOZUAN, profit-seeking enterprise annual income tax return up to 2018 had been examined by the tax authorities.

(below blank )

(30) Earnings per share

| | 2020 | | |
| --- | --- | --- | --- |
| | Amount after tax | Weighted average number of ordinary shares of outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 286,094 | 254,625 | $ 1.12 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | 286,094 | 254,625 | |
| Assumed conversion of all dilutive potential ordinary share | | | |
| Employees' compensation | - | 118 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 286,094 | 254,743 | $ 1.12 |

| | 2019 | | |
| --- | --- | --- | --- |
| | Amount after tax | Weighted average number of ordinary shares of outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 649,123 | 254,957 | $ 2.55 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | 649,123 | 254,957 | |
| Assumed conversion of all dilutive potential ordinary share | | | |
| Employees' compensation | - | 186 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 649,123 | 255,143 | $ 2.54 |

1. Weighted average number of ordinary shares of outstanding for 2020 was calculated considering weighted average number of treasury stock.
2. The Corporation presumes that the employees' compensation will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect.

(below blank)

## (31) Supplemental cash flow information

Investing activities with partial cash payments：

| | 2020 | 2019 |
|---|---|---|
| Purchase of property, plant and equipment | $ 1,477,562 | $ 2,379,987 |
| Add: Opening balance of payable equipment | 212,870 | 100,165 |
| Ending balance of prepayment for equipment | 450,755 | 374,464 |
| Ending balance of prepayment for construction | 33,176 | 21,190 |
| Acquisition of other noncurrent assets-Land | 2,905 | 84,913 |
| Less: Ending balance of payable equipment | ( 91,933) | ( 212,870) |
| Opening balance of prepayment for equipment | ( 374,464) | ( 515,658) |
| Opening balance of prepayment for construction | ( 21,190) | - |
| Cash paid during the year | $ 1,689,681 | $ 2,232,191 |

## (32) Changes in liabilities from financing activities

| | Short-term borrowings | Short-term commercial papers payable | Lease liabilities | Long-term loans | Dividend payable | Liabilities from financing activities-gross |
|---|---|---|---|---|---|---|
| January 1, 2020 | $1,120,130 | $560,000 | $306,165 | $6,829,932 | $ - | $ 8,816,227 |
| Changes in cash flow from financing activities | 958,281 | 40,000 | ( 20,136) | 409,727 | ( 509,913) | 877,959 |
| Increase during the year | - | - | - | - | 509,913 | 509,913 |
| Changes in other non-cash items | - | - | ( 10,065) | - | - | ( 10,065) |
| Impact of changes in foreign exchange rate | 10,342 | - | ( 125) | 6,306 | - | 16,523 |
| December 31, 2020 | $2,088,753 | $600,000 | $275,839 | $7,245,965 | $ - | $10,210,557 |

| | Short-term borrowings | Short-term Commercial papers payable | Lease liabilities | Long-term loans | Dividend payable | Liabilities from financing activities-gross |
|---|---|---|---|---|---|---|
| January 1, 2019 | $1,428,712 | $250,000 | $314,393 | $4,819,563 | $ - | $ 6,812,668 |
| Changes in cash flow from financing activities | (289,237) | 310,000 | ( 30,743) | 2,024,609 | ( 892,348) | 1,122,281 |
| Increase during the year | | | | | 892,348 | 892,348 |
| Changes in other non-cash items | - | - | 17,885 | - | - | 17,885 |
| Impact of changes in foreign exchange rate | ( 19,345) | - | 4,630 | ( 14,240) | - | ( 28,955) |
| December 31, 2019 | $1,120,130 | $560,000 | $306,165 | $6,829,932 | $ - | $ 8,816,227 |

7. Related party transactions

(1)Names of related parties and relationship

| Name of related parties | Relationship with the Group |
|---|---|
| Kao Fong Machinery Co., Ltd. (Kao Fong) | Associate |
| GLOBAL TECHNOS LTD. (GLOBAL) | Other related parties |
| World Known Manufacturing Co., Ltd. (World Known) | Other related parties (Note) |
| Guo-Rong Shen | Other related parties (Chairman of the Company) |
| Main Drive Corporation | Other related parties |
| Qian Zuan Co., Ltd. | Other related parties |
| Taipei Gaohe Chungui Charity Foundation | Chairman of the Foundation is same as that of the Company. |

Note：Since February 13, 2019, the party no longer serves as director of the Company, as of that date, who is not a related party.

(2)Significant related party transactions

1.Operating revenue

| | 2020 | 2019 |
|---|---|---|
| Sale of goods: | | |
| Associates | $ 1,084 | $ 684 |
| Other related parties | 11,842 | 21,534 |
| | $ 12,926 | $ 22,218 |

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

2.Purchsing

| | 2020 | 2019 |
|---|---|---|
| Purchase of goods | | |
| Associates | $ 98 | $ - |
| Other related parties | 127 | 4,405 |
| | $ 225 | $ 4,405 |

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

3.Manufacturing overhead-processing cost

| | 2020 | 2019 |
|---|---|---|
| Associates | $ 49,467 | $ 54,139 |

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

4. Receivables from related parties

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accounts receivable | | |
| Associates | $ 291 | $ 567 |
| Other related parties | - | 31 |
| Total | $ 291 | $ 598 |

5. Payables to related parties

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Other payables: | | |
| Associates | $ 6,606 | $ 8,907 |
| Other related parties | 234 | - |
| Total | $ 6,840 | $ 8,907 |

6. Other noncurrent assets

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

7. Property transactions

(1) Purchase of property transaction

| | 2020 | 2019 |
|---|---|---|
| Associates | $ 11,899 | $ 10,645 |
| Other related parties | 1,619 | 70,130 |
| | $ 13,518 | $ 80,775 |

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

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Associates | $ 324 | $ 3,341 |
| Other related parties | 80 | - |
| | $ 404 | $ 3,341 |

8. Leasing Agreement-lessee

(1) The Group leases building from associates, the lease term is between 105 and 110 years, and the rental for each year shall be paid by the end of that year.

(2) Acquisition of right-of-use assets

| | 2020 | 2019 |
|---|---|---|
| Associates | $ - | $ 5,553 |

(3) Lease liabilities

A. Outstanding balance

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Associates | $ - | $ 5,596 |

B. Interest expense

| | 2020 | 2019 |
|---|---|---|
| Associates | $ 27 | $ 118 |

(3) Key management compensation

| | 2020 | 2019 |
|---|---|---|
| Other short-term employee benefits | $ 47,898 | $ 63,247 |
| Post-employment benefits | 1,197 | 1,010 |
| Total | $ 49,095 | $ 64,257 |

8. Pledged Assets

| Pledged asset | Book value December 31, 2020 | Book value December 31, 2019 | Purpose |
|---|---|---|---|
| Financial assets at amortized cost | $ 89,589 | $ 75,515 | Project guarantee、Short-term borrowings |
| Restricted deposit (shown as other current assets) | - | 32 | Project guarantee deposit、Short-term borrowings |
| Investment in equity instruments | 96,036 | 102,246 | Short-term borrowings |
| Property, plant and equipment | 5,974,351 | 7,994,775 | Long-term loan、Short-term borrowings |
| Other non-current assets | 1,515 | 1,515 | Secured loan and Long-term loan |
| | $ 6,161,491 | $ 8,174,083 | |

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. As of December 31, 2020 and 2019, Letter of Credit issued but not used for purchasing of raw material and machinery equipment was NT$153, 517,000 and NT$202,793,000, respectively.

2.Capital expenditure on contract signed but not occurred yet

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Property, plant and equipment | $ 354,170 | $ 734,878 |

3. The subsidiary of the Company, HOWON POWERTRAIN CO., LTD., signed development incentive agreement with Jiangsu Province Huai'an Economic Development Zone Administration, and obtained land use right subsidy of NT$38 ,369,000 (RMB 7,919,000), which was recognized in other non-current liabilities and will be recognized in revenue year by year according to the land use right of 50 years (from 2016 to 2065). Amounts of NT$680, 000 and NT$719,000 were recognized in other income by the Group for 2020 and 2019, respectively.

10. Significant Disaster Loss

None.

## 11. Significant Events After the Balance Sheet Date

1. On September 10, 2020, the directors at their meeting resolved to increase cash capital and issue ordinary stock of 25,000 thousand shares with a par value of NT$10 and an additional paid-in capital of NT$90 per share. New shares issuance was approved by the security authorities on October 8, 2020, and the effective date was February 1, 2021.
2. On March 11, 2021, the Company signed “Syndicated Loans Agreement” with a total amount of NT$5,000,000 with syndicate bank consisting of Land Bank of Taiwan, E.SUN Bank and Bank of Taiwan, and Land Bank of Taiwan as the lead bank for repayments to the financial institution and for replenishment of mid-term working capital.

## 12. Others

### (1) Capital management

The Group’s managing capital is based on industry scale of operating business, taking into consideration of the industry future growth and product developments, and sets up an appropriate market share, according to that, plans corresponding capital expenditure. In addition to calculate demanded working capital based on financial operating plans, and finally determine an appropriate cost structure by considering operating income and cash flow arising from product competitivity.

The Group monitors working capital through regularly reviewing the ratio of liabilities to assets. The ratio of liabilities to assets of the Group for the years ended December 31, 2020 and 2019, is as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Total liabilities | $ 11,944,132 | $ 10,530,924 |
| Total assets | 18,351,175 | 17,155,852 |
| Ratio of liabilities to assets | 65.09% | 61.38% |

### (2) Financial instruments

A. Financial instruments by category

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Financial assets | | |
| Financial asset at fair value through other comprehensive income | | |
| Investments for using designated equity method | $ 184,922 | $ 179,390 |
| Accounts receivable | 727,869 | 738,271 |
| Financial asset at amortized cost/loans and accounts receivable | | |
| Cash and cash equivalents | 795,667 | 526,855 |
| Financial assets at amortized cost | 89,589 | 78,014 |
| Notes receivable | 18,537 | 2,592 |
| Accounts receivable | 1,487,210 | 1,500,527 |
| Other receivables | 113,358 | 88,419 |
| Refundable deposits | 7,646 | 8,693 |
| | $ 3,424,798 | $ 3,122,761 |

| | | |
|---|---|---|
| Financial liabilities | | |
| Short-term borrowings | $ 2,088,753 | $ 1,120,130 |
| Short-term commercial papers payable | 600,000 | 560,000 |
| Notes payable | 431,512 | 388,373 |
| Accounts payable | 578,526 | 489,771 |
| Other payables | 437,713 | 539,955 |
| Long-term loan (including the expiration within a year or an operating cycle) | 7,245,965 | 6,829,932 |
| | $ 11,382,469 | $ 9,928,161 |
| Lease liability | $ 275,839 | $ 306,165 |

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as foreign exchange risk, interest rate risk, credit risk and derivative and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, JPY and RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign exchange risk arising from net assets of the Group's foreign operations is managed through relevant borrowings denominated in foreign currencies. Please refer to Note 6(15).

iii. The Group's businesses involve some non-functional currency operations (the Company and part of subsidiaries' functional currency: TWD, part of subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(below blank )

| (Foreign currency: functional currency) | December 31, 2020 Foreign currency amount (in thousands) | Exchange rate | Book value (TWD) | Sensitivity analysis Degree of variation | Effect of profit or loss | Effect of other comprehensive income |
|---|---|---|---|---|---|---|
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD：TWD | $ 73,873 | 28.48 | $ 2,103,903 | 1% | $ 21,039 | $ - |
| JPY：TWD | 44,196 | 0.28 | 12,375 | 1% | 124 | - |
| EUR：TWD | 7,375 | 35.02 | 258,273 | 1% | 2,583 | - |
| RMB：TWD | 5,484 | 4.38 | 24,020 | 1% | 240 | - |
| USD：RMB | 334 | 6.45 | 2,154 | 1% | 22 | - |
| Investment in equity instruments USD：TWD | $ 122 | 28.48 | $ 3,472 | 1% | $ - | $ 35 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| JPY：TWD | $ 127,798 | 0.28 | $ 35,783 | 1% | $ 358 | $ - |
| USD：RMB | 12,949 | 6.45 | 83,521 | 1% | 835 | - |
| USD：TWD | 520 | 28.48 | 14,810 | 1% | 148 | - |
| EUR：TWD | 103 | 35.02 | 3,607 | 1% | 36 | - |
| CHF：TWD | 2,124 | 32.31 | 68,626 | 1% | 686 | - |

| (Foreign currency: functional currency) | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Book value | | | Sensitivity analysis | | |
| | Foreign currency amount (in thousands) | Exchange rate | (TWD) | Degree of variation | Effect of profit or loss | Effect of other comprehensive income |
| Financial assets | | | | | | |
| Monetary items | | | | | | |
| USD：TWD | $ 70,305 | 29.98 | $ 2,107,744 | 1% | $ 21,077 | $ - |
| EUR：TWD | 4,729 | 33.59 | 158,847 | 1% | 1,588 | - |
| JPY：TWD | 59,053 | 0.276 | 16,299 | 1% | 163 | - |
| RMB：TWD | 2,662 | 4.305 | 11,459 | 1% | 115 | - |
| USD：RMB | 1,416 | 6.96 | 42,453 | 1% | 425 | - |
| Investment in equity instruments | | | | | | |
| USD：TWD | $ 104 | 29.98 | $ 3,109 | 1% | $ - | $ 31 |
| Financial liabilities | | | | | | |
| Monetary items | | | | | | |
| JPY：TWD | $ 546,992 | 0.276 | $ 150,970 | 1% | $ 1,510 | $ - |
| USD：TWD | 410 | 29.98 | 12,292 | 1% | 123 | - |
| EUR：TWD | 1,220 | 33.59 | 40,980 | 1% | 410 | - |
| USD：RMB | 13,030 | 6.96 | 402,931 | 1% | 4,029 | - |
| CHF：RMB | 221 | 7.18 | 6,836 | 1% | 68 | - |
| CHF：TWD | 109 | 30.93 | 3,371 | 1% | 34 | - |

C. Total exchange loss (including amounts realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to $80,837,000 and $49,340,000, respectively.

Price risk

a. The Group is exposed to price risk as the Group holds equity securities financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In order to manage price risk of the investments in equity instruments, the Group diversifies its portfolio and executing based on the limits set by the Group.

b. The Group's primary investments are in equity instruments and open-end funds issued by domestic companies, which equity instruments price will be affected due to uncertainties of future value on the investment targets. If that equity instruments price increase or decrease by 5% with all other factors remain constant, gains or losses in equity instruments at fair value through other comprehensive income increased of NT$9,246,000 and NT$8, 970,000, respectively.

Cash flow and fair value interest risk

A. The Group's interest risk primarily comes from long-term loans at floating rates, that the Group is exposed to cash flow interest rate risk. As of December 31, 2020 and 2019, the Group's loans at floating interest rates are denominated in New Taiwan Dollars, US Dollars, Japanese Yen and CNY Dollars.

B. The Group entered into interest rate swap contracts of converting borrowings from floating rates to fixed rates for management of interest rate risk, and that swap between the Group and the counterparty was agreed in a specific period (mainly per each season) of the differences at between fixed rates and floating rates based on a notional principal amount. The rise of long-term loans of the Group is at floating rates and transfer into fixed rates through interest rate swap, that the interest rate will be smaller than fixed rates the Group directly obtains for loans.

C. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT$16,075,000 and NT$16,154,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

D. When the loans denominated in CNY Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT$1,282,000 and NT$903,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

E. When the loans denominated in US Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT$360,000 and NT$18,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

(B)Credit risk

a.Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and notes receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.

b. For banks and financial institutions, only well-known rated parties with optimal credit rating in domestic or overseas are acceptable by the Group, and the Group cooperates with couple of banks and financial institutions in the meantime, instead of only a single party to reduce credit risk. Financial services or terms and conditions of loans provided by banks and institutions are according to the Group internal delegation of authority, that shall be executed by approval of the Board of Directors or delegated supervisors. Any paper that can only be signed with correspondent banks and financial institutions, shall be inspected by specialists of legal department or legal consultants to avoid legal risk. The Group periodically reviews the correspondent banks and financial institutions about their credit ratings and service conditions, qualities and contacts, and according to operating conditions, the Group periodically monitors to maintain reasonable credit limits and utilization of credit limits that ensures to satisfy the operational needs.

c. The Group adopts the following assumptions under IFRS 9, if there has been a significant increase in credit risk on that instrument since initial recognition:

(i) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

(ii)Bond investments traded at Taipei Exchange ("TPEx") is recognized as low credit risk when that instruments in balance sheet are as investment grade rated by any of external rating agencies.

d. When independent credit rating set for an investment target is downgraded by two levels, the Group's judgement on that investment has been a significant in credit risk.

e. When the default rate of an investment target is more than 77.05%, the Group's judgement on that investment has been a significant in credit risk.

f. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 360 days.

g. The Group classifies customers' accounts receivable in accordance with customer rating types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

h. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i)It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

i. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

j.The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix is as follows:

| December 31, 2020 | | | |
|---|---|---|---|
| | Expected loss rate | Total book value | Loss allowance |
| Not past due | 0.01% | $ 1,934,807 | $ 179 |
| Up to 120 days | 0.38% | 232,660 | 892 |
| Up to 121-240 days | 21.01% | 56,123 | 11,794 |
| Up to 241-360 days | 77.05% | 18,974 | 14,620 |

| | | | |
|---|---|---|---|
| More than 361 days | 100 | 19,798 | 19,798 |
| Total | | $ 2,262,362 | $ 47,283 |

| December 31, 2019 | Expected loss rate | Total book value | Loss allowance |
|---|---|---|---|
| Not past due | 0.01% | $ 1,832,173 | $ 179 |
| Up to 120 days | 0.25% | 360,656 | 892 |
| Up to 121-240 days | 2.41% | 32,430 | 781 |
| Up to 241-360 days | 61.59% | 40,073 | 24,682 |
| More than 361 days | 100 | 19,318 | 19,318 |
| Total | | $ 2,284,650 | $ 45,852 |

k. The Group recognizes impairment loss which the individual accounts receivable is expected to not be recovered upon objective evidence, the loss rate for the rest of accounts receivable is built through historical and timely information and loss allowance of accounts receivable is assessed by the forecast ability. As of December 31, 2020, the aforesaid cumulated loss allowance of accounts receivable by individual assessment was NT$2,417,000.

l. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

| | 2020 | 2019 |
|---|---|---|
| | Account receivable | Account receivable |
| At January 1 | $ 45,852 | $ 38,284 |
| Provision for impairment loss | 6,089 | 8,955 |
| Write-off uncollectible accounts | ( 2,896) | - |
| Effect of foreign exchange | 655 | ( 1,387) |
| At December 31 | $ 49,700 | $ 45,852 |

(C) Liquidity risk

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

b. The loan limits of NT$2,555,230,000 have not been utilized.

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

December 31, 2020

| Non-derivative financial liabilities: | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Short-term borrowings | $1,805,189 | $ 286,145 | $ - | $ - | $ - | $2,091,334 |
| Short-term notes payable | 600,000 | - | - | - | - | 600,000 |
| Notes payable | 247,677 | 183,835 | - | - | - | 431,512 |
| Accounts payable | 476,771 | 101,755 | - | - | - | 578,526 |
| Other payables | 330,046 | 107,667 | - | - | - | 437,713 |
| Lease liabilities | 4,450 | 12,447 | 16,257 | 35,471 | 284,486 | 353,111 |
| Other current liabilities | 65,178 | 5,310 | - | - | - | 70,488 |
| Long-term loans (including maturity date within one year or one operating cycle) | 2,240,683 | 3,702,093 | 1,014,789 | 1,083,194 | 884,668 | 8,925,427 |

December 31, 2019

| Non-derivative financial liabilities: | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| Short-term borrowings | $ 735,269 | $ 453,139 | $ - | $ - | $ - | $1,188,408 |
| Short-term notes payable | 560,000 | - | - | - | - | 560,000 |
| Notes payable | 230,452 | 157,921 | - | - | - | 388,373 |
| Accounts payable | 405,562 | 84,209 | - | - | - | 489,771 |
| Other payables | 465,954 | 74,001 | - | - | - | 539,955 |
| Lease liabilities | 6,698 | 19,073 | 22,306 | 44,052 | 297,726 | 389,855 |
| Other current liabilities | 41,136 | 85 | - | - | - | 41,221 |
| Long-term loans (including maturity date within one year or one operating cycle) | 32,433 | 1,645,104 | 1,923,365 | 1,053,626 | 2,491,689 | 7,146,217 |

(C) Fair value information

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

The first level (Level 1): Fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities on the date of measurement. Active market indicates a market in which transaction for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. All of the Group's investments fair value in listed stocks and active market derivatives are included.

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

The third level (Level 3): Fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data. The

Group’s investments in inactive market derivatives are included.

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

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

(1) Category of assets and liabilities by nature:

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total Assets |
|---|---|---|---|---|
| Recurring fair value | | | | |
| Financial assets at FVTOCI | | | | |
| -equity securities | $ 120,506 | $ - | $ 64,416 | $ 184,922 |
| -accounts receivable | - | 727,869 | - | 727,869 |
| Total | $ 120,506 | $ 727,869 | $ 64,416 | $ 912,791 |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value | | | | |
| Financial assets at FVTOCI | | | | |
| - equity securities | $ 98,516 | $ - | $ 80,874 | $ 179,390 |
| - accounts receivable | - | 738,271 | - | 738,271 |
| Total | $ 98,516 | $ 738,271 | $ 80,874 | $ 917,661 |

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

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

| | Publicly traded stocks | Open-end funds |
|---|---|---|
| Quoted market prices | Closing price at valuation date | Net value at valuation date |

4. Transferring between Level 1 and Level 2 was not happened for the years of 2020 and 2019.

5. Movements of Level 3 in the following table is shown for the years of 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Balance, beginning of year | $ 80,874 | $ 90,729 |
| Purchase in the current year | 6,503 | 2,239 |
| Profit recognized in other comprehensive income | ( 22,961) | ( 12,094) |
| Balance, end of year | $ 64,416 | $ 80,874 |

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

| December 31, 2020 | | Fair value | Valuation Technique | Material unobservable inputs | Range (Weighted average) | Relation of inputs and fair value |
|---|---|---|---|---|---|---|
| Non-derivative equity instruments | | | | | | |
| Equity securities | $ | 24,492 | Comparable to listed companies pursuant to the Company Act | Price-book ratio multiplier | $ 3,476 | The higher the multiplier, the higher the fair value. |
| Stocks from venture capital companies | | 39,924 | Net assets valuation method | Not applicable | 39,924 | Not applicable |

| December 31, 2019 | | Fair value | Valuation Technique | Material unobservable inputs | Range (Weighted average) | Relation of inputs and fair value |
|---|---|---|---|---|---|---|
| Non-derivative equity instruments | | | | | | |
| Equity securities | $ | 36,364 | Comparable to listed companies pursuant to the Company Act<br>Net assets of listed companies | Price-book ratio multiplier | $ 5,176 | The higher the multiplier, the higher the fair value. |
| Stocks from venture capital companies | | 44,510 | Net assets valuation method | Not applicable | 44,510 | Not applicable |

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

| | | December 31, 2020 | | | |
|---|---|---|---|---|---|
| | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | inputs changes | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Financial assets | | | | | |
| Equity instruments | Market price<br>Price-book ratio | ±1% | $ - | $ - | $ 644 | ($ 644) |

| | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|
| | | | Recognized in profit or loss | | Recognized in other comprehensive income | |
| | | inputs changes | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Financial assets | | | | | | |
| Equity instruments | Market price<br>Price-book ratio | ±1% | $ - | $ - | $ 809 | ($ 809) |

## 13. Supplementary Disclosures

### (1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsement and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

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

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods (transactions amount reaching NT$10 million or more): Please refer to table 4.

### (2) Information on investees

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

### (3) Information on investments in Mainland China

1. Relevant information on investments in the Mainland area: Please refer to table 6.
2. Limits of investments in the Mainland area: Please refer to table 6.
3. Significant transactions, pricing, payment terms and unrealized gains or losses, either directly or indirectly through a third area, with investee companies in the Mainland Area.
4. Purchase amounts of the year 2020 between the Company and each investee in Mainland China are not reaching 10% of the Company total purchase amounts. Purchasing is conducted to general purchase price and is paid in advance.

### (4) Major shareholders information

Major shareholders information: Please refer to table 7.

14. Segment Information

(1) General information

The Group operates business only in a single industry. The Group allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable segment.

(2) Measurement of segment information

The Group evaluates performance of the operating segments based on a measure of profit before tax.

(3) Information about segment income, assets and liabilities

1. The segment information provided to the Chief Operating Decision-Maker for the 2020 reportable segments is as follows:

| | 2020 | | | |
|---|---|---|---|---|
| | HOTA | Others | Write-off | Total |
| Revenue | | | | |
| Revenue from external customers | $4,763,245 | $ 447,797 | $ - | $5,211,042 |
| Inter-segment revenue | 23,995 | 76,481 | ( 100,476) | - |
| Revenue-gross | $4,787,240 | $ 524,278 | ($ 100,476) | $5,211,042 |
| Segment profit before tax | $ 317,669 | ($ 13,495) | $ 19,874 | $ 324,048 |
| Segment profit before tax including: | | | | |
| Interest expense | $ 94,946 | $ 13,345 | $ - | $ 108,291 |
| Depreciation and amortization | 588,010 | 45,140 | - | 633,150 |
| Income tax expense | 31,575 | 6,913 | - | 38,488 |

2. The segment information provided to the Chief Operating Decision-Maker for the 2019 reportable segments is as follows:

| | 2019 | | | |
|---|---|---|---|---|
| | HOTA | Others | Write-off | Total |
| Revenue | | | | |
| Revenue from external customers | $5,634,709 | $ 333,638 | $ - | $5,968,347 |
| Inter-segment revenue | 48,550 | 88,195 | ( 136,745) | - |
| Revenue-gross | $5,683,259 | $ 421,833 | ($ 136,745) | $5,968,347 |
| Segment profit before tax | $ 729,968 | ($ 6,518) | $ 21,469 | $ 744,919 |
| Segment profit before tax including: | | | | |
| Interest expense | $ 81,071 | $ 9,034 | $ - | $ 90,105 |
| Depreciation and amortization | 581,181 | 35,249 | - | 616,430 |
| Income tax expense | 80,845 | 11,025 | - | 91,870 |

3. The Group's reportable operating segment classifies business organization by category of operating companies.

4. The Group major revenues are mainly from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool.

5. The Group did not amortize income tax expense to the reportable operating segment. The reported amount is consistent with that in statements for the Chief Operating Decision-Maker.

6. Accounting policies for the operating segment is same as a summary of significant accounting policies mentioned in Note 4. Income for the Company operating segment is measured based on income before tax.

(4) Reconciliation for segment income (loss), assets and liabilities

Sales between segments are carried out at arm's length. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

1. Reconciliations of total segments revenues and total continuing business units revenues for the year are as follows:

| | 2020 | 2019 |
|---|---|---|
| Operating segment revenue | $ 5,311,518 | $ 6,105,092 |
| Profit from continuing operations | ( 100,476) | ( 136,745) |
| Total of consolidated operating revenue | $ 5,211,042 | $ 5,968,347 |

2. Reconciliations of segments net income before tax and continuing business units profit before tax for the year are as follows:

| | 2020 | 2019 |
|---|---|---|
| Operating segment profit before tax | $ 304,174 | $ 723,450 |
| (Profit) loss from continuing operations | 19,874 | 21,469 |
| | $ 324,048 | $ 744,919 |

3. The amounts provided to the Chief Operating Decision-Maker with respect to total assets are measured in a manner consistent with that of the financial statements.

4. The amounts provided to the Chief Operating Decision-Maker with respect to total liabilities are measured in a manner consistent with that of the financial statements.

(5) Information on products and services

Revenue from external customers arising mainly from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool, and etc. Details of revenue is as follows:

| | 2020 | 2019 |
|---|---|---|
| Sale of goods | $ 5,211,042 | $ 5,968,347 |

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Country | Revenue | Non-current assets | Revenue | Non-current assets |
| USA | $ 3,720,533 | $ 286,739 | $ 4,625,027 | $ 93,645 |
| China | 555,823 | 731,219 | 355,600 | 614,966 |
| Taiwan | 241,746 | 11,458,149 | 258,127 | 10,847,483 |
| Others | 692,940 | - | 729,593 | - |
| Total | $ 5,211,042 | $ 12,476,107 | $ 5,968,347 | $ 11,556,094 |

The Company geographical revenues are calculated in countries. Non-current assets refer to property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, but not including investments in equity instruments, financial instruments, and deferred tax assets.

(7) Major customer information

The Group has customers with which the sales revenues accounts for more than 10% of the operating revenue in the statement of comprehensive income for the years ended December 31, 2020 and 2019. The major customer information is as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Amount | Segment | Amount | Segment |
| A company | $ 1,620,691 | HOTA | $ 2,362,413 | HOTA |
| B company | 1,837,012 | HOTA | 1,727,105 | HOTA |
| | $3,457,703 | | $ 4,089,518 | |

(below blank )

HOTA CORPORATION AND SUBSIDIARIES
Loans to others
Year ended December 31, 2020

TABLE 1

Expressed in thousands of TWD
(Except as otherwise indicated)

| No. (Note 1) | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2020 | Balance at December 31, 2020 (Note 6) | Actual amount drawn down | Interest rate (%) | Nature of loan (Note 4) | Amount of transactions with the borrower | Reason for short term financing | Allowance for doubtful accounts | Collateral Item | Collateral Value | Limit on loans granted to a single party (Note 3) | Ceiling on total loans granted (Note 2) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Hota Industrial Manufacturing CO., LTD. | YUNG-CHIN DEVELOP FORGING CO., LTD. | Other Receivables | N | $ 4,675 | $ 2,338 | $ 2,338 | 2.50 | 2 | $ - | Purchase of equipment | $ - | NA | $ - | $ 1,270,512 | $ 2,541,023 | |
| 0 | Hota Industrial Manufacturing CO., LTD. | Howon(Whaian)automobile components Company Limited | Other Receivables | Y | 284,800 | 56,960 | - | 2.00 | 2 | - | Purchase of equipment | - | NA | - | 1,270,512 | 2,541,023 | 5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | Chien li industrial co., ltd. | Other Receivables | N | 6,000 | 6,000 | 6,000 | 2.50 | 2 | - | Purchase of equipment | - | NA | - | 1,270,512 | 2,541,023 | |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.
Note 2: The ceiling on total loans to others is the Company net assets, the limit is 40% of the Company net assets.
Note 3: Limit on loans granted for a single party is 20% of the net assets of the Company.
Note 4: (1)For business transactions.
(2)For short-term financing.
Note 5: The transactions were eliminated when preparing the consolidated financial statements.
Note 6: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

HOTA CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2020

TABLE 2

Expressed in thousands of TWD

(Except as otherwise indicated)

| No. (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party (Note 3) | Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5) | Actual amount drawn down (Note 6) | Amount of endorsements / guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company (%) | Ceiling on total amount of endorsements/ guarantees provided (Note 3) | Provision of endorsements/ guarantees by parent company to subsidiary (Note 7) | Provision of endorsements/ guarantees by subsidiary to parent company (Note 7) | Provision of endorsements/ guarantees to the party in Mainland China (Note 7) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Hota Industrial Manufacturing CO., LTD. | Howon(Whaian)automobile components Company Limited | (2) | $ 1,270,512 | $ 313,280 | $ 313,280 | $ 313,280 | $ - | 4.93% | $ 2,541,023 | Y | N | N | |
| 0 | Hota Industrial Manufacturing CO., LTD. | Wuxi Hoda Precision gear Company Limited | (2) | 1,270,512 | 199,360 | 199,360 | 199,360 | - | 3.14% | 2,541,023 | Y | N | N | |

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

(1)The Company is '0'.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HOTA CORPORATION AND SUBSIDIARIES

Holding of marketable securities (not including subsidiaries, associates and joint ventures)

December 31, 2020

TABLE 3

Expressed in thousands of TWD
(Except as otherwise indicated)

| Securities held by | Types of marketable securities | Name of marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2020 Number of shares | Book value | Owner ship | Fair value | Footnote |
|---|---|---|---|---|---|---|---|---|---|
| Hota Industrial Manufacturing CO., LTD. | Stock | Shin Kong Financial Holding Co., Ltd.(2888) | - | Financial assets at fair value through other comprehensive income – current | 3,074,757 | $ 30,510 | - | $ 27,089 | |
| Hota Industrial Manufacturing CO., LTD. | Stock | World Known MGF (Cayman) Limited | - | Financial assets at fair value through other comprehensive income – current | 592,000 | 5,921 | - | 22,022 | |
| Hota Industrial Manufacturing CO., LTD. | Stock | Hwa Fong Rubber Ind. Co., Ltd.(2109) | The chairman of the company is the chairman of the company | Financial assets at fair value through other comprehensive income – current | 2,040,000 | 46,566 | - | 26,928 | |
| Howin Precision Company Limited | Stock | Hwa Fong Rubber Ind. Co., Ltd.(2109) | The chairman of the company is the chairman of the company | Financial assets at fair value through other comprehensive income – current | 510,000 | 11,809 | - | 6,732 | |
| Hozuan investment Company Limited | Stock | Hwa Fong Rubber Ind. Co., Ltd.(2109) | The chairman of the company is the chairman of the company | Financial assets at fair value through other comprehensive income – current | 2,858,740 | 57,153 | - | 37,735 | |
| | | | | | | 151,959 | | $ 120,506 | |
| | | | | Evaluation adjustment | | ( 31,453) | | | |
| | | | | | | $ 120,506 | | | |
| Hota Industrial Manufacturing CO., LTD. | Stock | BMB Venture Capital Investment Corporation | The chairman of the company is the chairman of the company | Financial assets at fair value through other comprehensive income – noncurrent | 3,223,881 | $ 33,142 | 9.03 | $ 12,470 | |
| Hota Industrial Manufacturing CO., LTD. | Stock | world known mfg. co., ltd. | - | Financial assets at fair value through other comprehensive income – noncurrent | 689,189 | 7,831 | 4.05 | 9,776 | |
| Hota Industrial Manufacturing CO., LTD. | Stock | MAIN DRIVE CORPORATION | The chairman of the company is a director of the company | Financial assets at fair value through other comprehensive income – noncurrent | 3,360,000 | 33,600 | 12.84 | 27,454 | |
| Hota Industrial Manufacturing CO., LTD. | Ball card | TAICHUNG INTERNATIONAL ENTERTAINMENT CORPORATION | The chairman of the company is a director of the company | Financial assets at fair value through other comprehensive income – noncurrent | - | 3,010 | 0.09 | 7,950 | |
| Howin Precision Company Limited | Stock | Hoga Industry CO.,LTD., | The chairman of the company is a director of the company | Financial assets at fair value through other comprehensive income – noncurrent | 508 | 5,046 | 7.93 | 6,766 | |
| | | | | | | 82,629 | | $ 64,416 | |
| | | | | Evaluation adjustment | | ( 18,213) | | | |
| | | | | | | $ 64,416 | | | |

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

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

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

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

HOTA CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2020

TABLE 4

Expressed in thousands of TWD
(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | | | Footnote |
|---|---|---|---|---|---|---|---|---|---|
| | | | | General ledger account | | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) | |
| 0 | Hota Industrial Manufacturing CO., LTD. | HOTATECH INC. | 1 | Sales | $ | 23,995 | According to the general price and conditions, the payment will be collected within 180 days after shipment. | 0.46% | Note 4、5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | HOTATECH INC. | 1 | Commission expense | | 31,455 | Based on the sales of specific models shipped by the parent company to specific customers, calculated according to a certain percentage. | 0.60% | Note 4、5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | Howin Precision Company Limited | 1 | processing cost | | 58,309 | According to the general processing price and conditions, payment will be made within 120 days after acceptance. | 1.12% | Note 4、5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | Howin Precision Company Limited | 1 | Accounts payable | | 24,400 | Payment within 120 days after acceptance. | 0.13% | Note 4、5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | Wuxi Hoda Precision gear Company Limited | 1 | Sales | | 18,171 | According to the general price and conditions, the payment will be collected within 180 days after shipment. | 0.10% | Note 4、5 |
| 0 | Hota Industrial Manufacturing CO., LTD. | Wuxi Hoda Precision gear Company Limited | 1 | Accounts receivable | | 12,741 | Payment is received within 180 days after shipment. | 0.07% | Note 4、5 |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1)Parent company is ‘0’.
(2)The subsidiaries are numbered in order starting from ‘1’.
Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2)Subsidiary to parent company.
(3)Subsidiary to subsidiary.
Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.
Note 4: Transaction amounts account for at least NT$10 million.
Note 5: The transactions were eliminated when preparing the consolidated financial statements.

HOTA CORPORATION AND SUBSIDIARIES
Information on investees
December 31, 2020

TABLE 5

Expressed in thousands of TWD
(Except as otherwise indicated)

| Investor | Investee (Note 1、2) | Location | Main business activities | Initial investment amount as at December 31, | Initial investment amount as at December 31, | Shares held as at December 31, 2020 Number of shares | Shares held as at December 31, 2020 p (%) | Shares held as at December 31, 2020 Book value | Net profit (loss) of the investee for the year ended December 31, 2020（Note 2） | Investment income (loss) recognised by the Company for the year ended December 31, 2020（Note 2） | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Hota Industrial Manufacturing CO., LTD. | Hozuan investment Company Limited | Taiwan | Investment activities | $ 167,190 | $ 167,190 | 25,221,000 | 100.00 | $ 300,309 | ($ 2,725) | ($ 2,725) | SUBSIDIARIES(Note 4) |
| Hota Industrial Manufacturing CO., LTD. | CAPTAIN HOLDING CO., LTD. | Seychelles | Holding company | 326,073 | 326,073 | 10,602,990 | 100.00 | 158,697 | ( 12,872) | ( 12,872) | SUBSIDIARIES(Note 4) |
| Hota Industrial Manufacturing CO., LTD. | HOTATECH, INC. | USA | Sell various precision gears for automobiles and reinvest USA Unison Investment Co., Inc. for selling various precision gears of automobiles | 173,638 | 173,638 | 530,200 | 100.00 | 217,917 | 4,895 | 4,895 | SUBSIDIARIES(Note 4) |
| Hota Industrial Manufacturing CO., LTD. | Howin Precision Company Limited | Taiwan | Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale of hardware parts and metal parts | 41,450 | 41,450 | 7,305,147 | 61.05 | 83,835 | ( 1,357) | ( 829) | SUBSIDIARIES(Note 4) |
| Hota Industrial Manufacturing CO., LTD. | Juda Intelligent Technology | Taiwan | Manufacturing and selling various precision Gears and shafts for automobiles | 5,000 | 5,000 | 500,000 | 83.33 | 4,994 | ( 29) | ( 24) | SUBSIDIARIES(Note 4) |
| Hota Industrial Manufacturing CO., LTD. | KAO FONG MACHINERY CO., LTD | Taiwan | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 11,400 | 11,400 | 838,878 | 0.78 | 15,984 | ( 12,227) | ( 95) | Invested company evaluated by equity method(Note 3) |
| Hota Industrial Manufacturing CO., LTD. | TAIWAN PYROLYSIS & ENERGY REGENERATION CORP. | Taiwan | Removal, storage and treatment of general and hazardous industrial waste. | 12,500 | 12,500 | 375,000 | 25.00 | - | - | - | Invested company evaluated by equity method(Note 1) |
| Hota Industrial Manufacturing CO., LTD. | TAKAWA SEIKI, INC. | USA | Machinery traders and agents. | 3,607 | 3,607 | 120,000 | 40.00 | 3,472 | 1,345 | 537 | Invested company evaluated by equity method |
| Hota Industrial Manufacturing CO., LTD. | LING WEI CO., Ltd. | Taiwan | Hardware wholesale industry. | 24,413 | 24,413 | 2,441,250 | 45.00 | 29,723 | 136 | 62 | Invested company evaluated by equity method |
| Hozuan investment Company Limited | KAO FONG MACHINERY CO., LTD | Taiwan | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 187,141 | 182,323 | 16,501,826 | 15.28 | 273,236 | ( 12,227) | ( 1,868) | Invested company evaluated by equity method(Note 2、3) |
| Howin Precision Company Limited | KAO FONG MACHINERY CO., LTD. | Taiwan | Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc. | 677 | 677 | 49,471 | 0.05 | 942 | ( 12,227) | ( 5) | Invested company evaluated by equity method(Note 2、3) |
| HOTATECH,INC. | UNISON INVESTMENT CO., INC. | USA | Sell various of precision gears for automobiles. | 82,236 | 82,236 | 236,341 | 100.00 | ( 60,640) | - | - | Second-tier Subsidiary(Note 2、4) |

Note 1：The book value of the long-term investment is the balance after the impairment loss of RMB 3,736 thousand has been recognized.
Note 2：Recognize investment gains and losses through each subsidiary.
Note 3：KAO FONG MACHINERY CO., LTD.is jointly held by Hota Industrial Manufacturing CO., LTD. And Howin Precision Company Limited andHozuan investment Company Limited, Its total shareholding ratio is 16.11%, and the investment loss recognized by the Group totals 1,968 thousand yuan.
Note 4：The transactions were eliminated when preparing the consolidated financial statements.

HOTA CORPORATION AND SUBSIDIARIES
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 6

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note1) | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | Net income of investee for the year ended December 31, 2020 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2020 | Book value of investments in Mainland China as of December 31, 2020 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Wuxi Hoda Precision gear Company Limited | Manufacturing and sell various of precision gears for automobiles and motorbikes | $ 170,880 | 1 | $ 165,184 | $ - | $ - | $ 165,184 | ($ 8,319) | 100.00 | ($ 8,319) | $ 45,693 | $ - | Note 2、4、5 |
| Howon(Whaian)automobile components Company Limited | Manufacturing and selling of automobile gearboxes and gears | 301,888 | 2 | 301,888 | - | - | 301,888 | ( 9,806) | 100.00 | ( 9,806) | 174,117 | - | Note 3、4、5 |

Note 1：Investment methods are classified into the following three categories:
(1)Directly invest in a company in Mainland China.
(2)Investments through a holding company registered in a third region.
(3)Others.
Note 2：Wuxi Hoda Precision gear Company Limited the paid-in capital is US$6,000,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US$5,800,000.
Note 3：Howon(Whaian)automobile components Company Limited the paid-in capital is US$10,600,000,accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US$10,600,000.
Note 4：Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 prevailing on December 31, 2020.
Note 5：The profit and loss of the Shanghai Development Investment Company is the share of the profit and loss of the subsidiary and the grandson company recognized in the financial statements audited by accountants during the same period.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 | amount approved by the Investment Commission of | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Hota Industrial Manufacturing CO., LTD. | $ 467,072 | $ 467,072 | $ 3,811,535 |

Note 1：According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.
Note 2：Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US$16,400,000.

HOTA CORPORATION AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020

TABLE 7

| Name of Major Shareholder | Shares | |
|---|---|---|
| | Number of Shares | Percentage of Ownership (%) |
| Cathay Life Insurance Co., Ltd. | 15,273,823 | 6.00% |