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, 2021 and 2020 and Independent Auditors' Report

(stock code 1536)

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Hota Industrial Manufacturing Company Limited

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

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Independent Auditor's Report

(111) Ministry of Finance approved No.21004946

The Board of Directors and Shareholders
Hota Industrial Manufacturing Company Limited

Opinion

We have audited the accompanying consolidated states of Hota Industrial Manufacturing Company Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31,2021 and 2020, 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 31,2021 and 2020,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, 2021 and 2020,

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, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2021 are stated as follows:

Cut-off date for international export income

Notes

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

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

Corresponding verification procedures

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

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

Inventory allowance falling price and sluggish loss evaluation

Notes

With regard to inventory accounting policies, please refer to Note 4 (14) of the consolidated financial report. For important accounting estimates and assumptions for inventory evaluation, please refer to Note 5 (2) of the consolidated financial report. Please refer to Note 6 (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, 2021 were NT$3,161,905 thousand and NT$105,119 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 accountant’s audit reports

The Group’s consolidated financial statements adopt equity method for investee companies whose financial statements have not been checked by this accountant, but by other accountants. Therefore, in the opinions expressed by this accountant on the above consolidated financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The amount of investment using the equity method on December 31, 2021 and December 31, 2020 were NT$314,127 thousand and 319,885 thousand, respectively, accounting for 1.49% and 1.74% of the total assets respectively. From January 1st to December 31st 2021 and from January 1st to December 31st 2020, the comprehensive profits recognized by the equity method were NT$19,378 thousand in losses and NT$2,398 thousand in losses, respectively, each accounting for 5.93% and 0.78% 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, 2021 and 2020, 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 31,2021 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.

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

Wu, Song-yuan
CPA
Xu, Jian-ye

Financial Supervisory Commission
Approved-certified No.: 1090350620Financial Supervisory
1050035683
March 16, 2022March 16, 2022March 16,
2022March 16, 2022

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2021 and 2020 December 31

(In Thousands of New Taiwan Dollars)

	ASSETS	NOTE	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	CURRENT ASSETS					
1100	Cash and cash equivalents	6(1)	$ 947,910	4	$ 795,667	4
1120	Financial assets at fair value through other comprehensive income – current	6(2)	126,799	1	120,506	1
1136	Financial assets at amortized cost – current	6(3), 8	33,872	-	89,557	-
1150	Notes receivable	6(4)	50,462	-	18,537	-
1170	Accounts receivable	6(4), 7(2)	2,641,013	13	2,215,079	12
1200	Other receivables	6(5)	121,713	1	113,358	1
130X	Inventories	6(6)	3,056,786	14	1,898,027	10
1470	Other current assets		265,115	1	158,726	1
11XX	**Total current assets**		7,243,670	34	5,409,457	29
	NONCURRENT ASSETS					
1517	Financial assets at fair value through other comprehensive income – noncurrent	6(2)	59,513	-	64,416	-
1535	Financial assets at amortized cost – noncurrent	6(3), 8	32	-	32	-
1550	Investments accounted for using equity method	6(7), 8	318,564	2	323,357	2
1600	Property, plant and equipment	6(8), 8	12,765,015	61	11,540,853	63
1755	Right-of-use assets	6(9)	304,088	1	317,045	2
1760	Investment property, net	6(11)	30,387	-	-	-
1780	Intangible assets		6,693	-	7,034	-
1840	Deferred income tax assets	6(30)	62,159	-	63,343	-
1900	Other noncurrent assets	6(12), 8	313,498	2	625,638	4
15XX	**Total noncurrent assets**		13,859,949	66	12,941,718	71
1XXX	**TOTAL**		$ 21,103,619	100	$ 18,351,175	100

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Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Balance sheet

2021 and 2020 December 31

(In Thousands of New Taiwan Dollars)

	LIABILITIES AND EQUITY	Note	December 31, 2021 Amount	%	December 31, 2020 Amount	%
	CURRENT LIABILITIES					
2100	Short-term borrowings	6(13)	$ 1,320,339	6	$ 2,088,753	11
2110	Short - term notes and bills payable	6(14)	1,260,000	6	600,000	3
2130	Current contract liabilities		244	-	-	-
2150	Notes payable		921,500	5	431,512	2
2170	Accounts payable		1,104,467	5	578,527	3
2200	Other payables	6(15), 7(2)	864,227	4	437,713	3
2230	Income tax payable	6(30)	65,160	-	42,974	-
2280	Lease liabilities – current	6(9), 7(2)	19,083	-	18,363	-
2320	Long-term liabilities due within one year or business cycle	6(16)	1,159,609	6	2,156,481	12
2399	Other current liabilities		18,749	-	71,967	1
21XX	**Total current liabilities**		6,733,378	32	6,426,290	35
	NONCURRENT LIABILITIES					
2540	Long-term loans	6(16)	5,173,125	25	5,042,695	28
2570	Deferred income tax liabilities	6(30)	46,666	-	54,357	-
2580	Lease liabilities – noncurrent	6(9), 7(2)	247,554	1	257,476	1
2600	Other noncurrent liabilities	6(18)	158,768	1	163,314	1
25XX	**Total noncurrent liabilities**		5,626,113	27	5,517,842	30
2XXX	**Total liabilities**		12,359,491	59	11,944,132	65
	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
	Capital stock	6(20)				
3110	Common stock		2,795,175	13	2,545,175	14
	Capital surplus	6(21)				
3200	Capital surplus		3,833,804	18	1,906,479	10
	Retained earnings	6(22)				
3310	Appropriated as legal capital reserve		689,651	4	660,162	4
3320	Appropriated as special capital reserve		48,236	-	48,236	-
3350	Unappropriated earnings		1,316,593	6	1,227,622	7
	Others	6(23)				
3400	Others		(60,354)	-	(35,116)	-
31XX	**Equity attributable to shareholders of the parent**		8,623,105	41	6,352,558	35
36XX	**NON-CONTROLLING INTERESTS**		121,023	-	54,485	-
3XXX	**Total equity**		8,744,128	41	6,407,043	35
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	9				
3X2X	**Total liabilities and equities**		$ 21,103,619	100	$ 18,351,175	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.

Chairman：Shen, Guo-rong　　Manager：Chen, Jun-zhi　　Chief accountant：Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
2021 and 2020 January 1 to December 31

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

	ITEM	NOTE	2021 Amount	2021 %	2020 Amount	2020 %
4000	OPERATING REVENUE	6(24), 7(2)	$ 6,686,364	100	$ 5,211,042	100
5000	COST OF REVENUE	6(6)(29), 7(2)	(5,004,701)	(75)	(4,038,224)	(78)
5900	GROSS PROFIT		1,681,663	25	1,172,818	22
	Operating expenses	6(29)				
6100	Sales and marketing expenses		(902,982)	(13)	(476,031)	(9)
6200	General and administrative expenses		(209,169)	(3)	(185,456)	(4)
6300	Research and development		(113,808)	(2)	(108,631)	(2)
6450	Expected credit losses	12(2)	(4,072)	-	(6,089)	-
6000	Total operating expenses		(1,230,031)	(18)	(776,207)	(15)
6900	INCOME FROM OPERATIONS		451,632	7	396,611	7
	NON- OPERATING INCOME AND EXPENSES					
7100	Interest income	6(25)	949	-	4,803	-
7010	Other income	6(26)	101,135	1	110,810	2
7020	Other gains and losses	6(27)	(59,227)	(1)	(78,516)	(1)
7050	Finance costs	6(28)	(89,916)	(1)	(108,291)	(2)
7060	Share of profits of associates	6(7)	(773)	-	(1,369)	-
7000	Total non-operating income and expenses		(47,832)	(1)	(72,563)	(1)
7900	**INCOME BEFORE INCOME TAX**		403,800	6	324,048	6
7950	INCOME TAX EXPENSE	6(30)	(63,157)	(1)	(38,488)	-
8200	**NET INCOME**		$ 340,643	5	$ 285,560	6

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Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
2021 and 2020 January 1 to December 31

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

	ITEM	NOTE	2021 Amount	2021 %	2020 Amount	2020 %
	Other comprehensive income (loss), net					
	Items that will not be reclassified subsequently to profit or loss:					
8311	Remeasurement of defined benefit obligation	6(18)	$ 5,784	-	$ 1,667	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income	6(2)	1,677	-	16,638	-
8320	Share of other comprehensive loss of associates	6(7)(23)	(19,202)	-	4,416	-
8349	Income tax benefit (expense) related to items that will not be reclassified subsequently	6(30)	(1,147)	-	(348)	-
8310	Total items not reclassified to profit or loss		(12,888)	-	22,373	-
	Items that may be reclassified subsequently to profit or loss:					
8361	Exchange differences arising on translation of foreign operations	6(23)	(8,129)	-	(8,149)	-
8367	Unrealized gain on investments in debt instruments at fair value through other comprehensive income	6(23)	1,514	-	10,321	-
8370	Share of other comprehensive loss of associates	6(7)(23)	4,031	-	(4,324)	-
8399	Income tax benefit (expense) related to items that will be reclassified subsequently	6(30)	1,383	-	2,227	-
8360	Total amount of items that may be reclassified to profit or loss in the future		(1,201)	-	75	-
8300	**Other comprehensive income, net of tax**		($ 14,089)	-	$ 22,448	-
8500	**Total comprehensive income**		$ 326,554	5	$ 308,008	6
	NET INCOME ATTRIBUTABLE TO:					
8610	Shareholders of the parent		$ 341,823	5	$ 286,094	6
8620	Non-controlling interests		(1,180)	-	(534)	-
	Total		$ 340,643	5	$ 285,560	6
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
8710	Shareholders of the parent		$ 328,016	5	$ 308,010	6
8720	Non-controlling interests		(1,462)	-	(2)	-
	Total		$ 326,554	5	$ 308,008	6
	Basic earnings per share	6(31)				
9750	Total		$ 1.23		$ 1.12	
	Diluted earnings per share	6(31)				
9850	Total Diluted earnings per share		$ 1.23		$ 1.12	

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

Chairman：Shen, Guo-rong　　Manager：Chen, Jun-zhi　　Chief accountant：Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries

Consolidated Statements of Changes in Equity

2021 and 2020 January 1 to December 31

(In Thousands of New Taiwan Dollars)

	Note	Equity Attributable to Shareholders of the Parent									Non-controlling Interests	Total Equity
				Retained Earnings			Others					
		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		
2020												
BALANCE, JANUARY 1, 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 (loss), net of income tax	6(23)	-	-	-	-	1,360	(10,242)	30,798	-	21,916	532	22,448
Total comprehensive income in 2020		-	-	-	-	287,454	(10,242)	30,798	-	308,010	(2)	308,008
Appropriations of earnings in 2019	6(22)											
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(19)(21)	-	20,895	-	-	-	-	-	-	20,895	-	20,895
Disposal of investments in equity instruments at fair value through other comprehensive income	6(23)	-	-	-	-	7,436	-	(7,436)	-	-	-	-
Treasury stock repurchase	6(20)	-	-	-	-	-	-	-	(35,010)	(35,010)	-	(35,010)
Decrease in treasury stock	6(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
2021												
BALANCE, JANUARY 1, 2021		$ 2,545,175	$ 1,906,479	$ 660,162	$ 48,236	$ 1,227,622	($ 42,421)	$ 7,305	$ -	$ 6,352,558	$ 54,485	$ 6,407,043
Net income		-	-	-	-	341,823	-	-	-	341,823	(1,180)	340,643
Other comprehensive income (loss), net of income tax		-	-	-	-	5,160	(2,715)	(16,252)	-	(13,807)	(282)	(14,089)
Total comprehensive income in 2021	6(23)	-	-	-	-	346,983	(2,715)	(16,252)	-	328,016	(1,462)	326,554
Appropriations of earnings in 2020	6(21)(22)											
Special capital reserve		-	-	29,489	-	(29,489)	-	-	-	-	-	-
Common stock and cash dividends to shareholders		-	(72,675)	-	-	(234,794)	-	-	-	(307,469)	-	(307,469)
Cash capital increase	6(20)	250,000	2,000,000	-	-	-	-	-	-	2,250,000	-	2,250,000
Disposal of investments in equity instruments at fair value through other comprehensive income	6(23)	-	-	-	-	6,271	-	(6,271)	-	-	-	-
Non-controlling interests		-	-	-	-	-	-	-	-	-	68,000	68,000
BALANCE, DECEMBER 31, 2021		$ 2,795,175	$ 3,833,804	$ 689,651	$ 48,236	$ 1,316,593	($ 45,136)	($ 15,218)	$ -	$ 8,623,105	$ 121,023	$ 8,744,128

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

Chairman：Shen, Guo-rong　　Manager：Chen, Jun-zhi　　Chief accountant：Chen, Chang-yuan

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

(In Thousands of New Taiwan Dollars)

	NOTE	January 1 to December 31, 2021	January 1 to December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		$ 403,800	$ 324,048
Adjustments for:			
Provided by (used in) operating activities:			
Depreciation - Property	6(8)(29)	559,415	599,821
Depreciation - Right-of-use assets	6(9)(29)	15,592	23,262
Amortization expense	6(29)	6,373	10,067
Expected credit losses	12(2)	4,072	6,089
Interest expense	6(28)	85,708	103,511
Interest expense - Lease liability	6(9)(28)	4,208	4,780
Interest income	6(25)	(949)	(4,803)
Share of profits of associates	6(7)	773	1,369
Loss (gain) on disposal or retirement of property, plant and equipment, net	6(27)	(5,630)	(2,494)
Cash increase to retain employee subscription remuneration costs	6(19)	-	20,895
Unrealized exchange loss		37,465	10,045
Changes in operating assets and liabilities:			
Changes in operating assets			
Notes receivables		(31,967)	(15,794)
Trade receivables and trade receivables from related parties		(414,847)	39,590
Other receivables		(9,002)	(23,961)
Inventories		(1,160,392)	(12,553)
Other current assets		(106,631)	35,305
Other noncurrent assets		(15,617)	7,696
Changes in liabilities			
Notes payable		489,988	113,353
Accounts payable (related parties)		527,247	15,614
Other payables		306,051	(9,560)
Other current liabilities		(48,867)	12,880
Other noncurrent liabilities		1,230	44,215
Cash generated from operations		648,020	1,303,375
Income taxes paid		(42,627)	(109,226)
Interest received		950	4,806
Interest paid		(90,406)	(103,583)
Net cash generated by operating activities		515,937	1,095,372

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

(In Thousands of New Taiwan Dollars)

	NOTE	January 1 to December 31, 2021	January 1 to December 31, 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of: Financial assets at fair value through other comprehensive income – current		($ 1,293)	$ -
Proceeds from disposal or redemption of: Financial assets at fair value through other comprehensive income – current		2,929	17,608
Decrease (increase) in financial assets at amortized cost		54,839	(1,112)
Acquisitions of: Financial assets at fair value through other comprehensive income – noncurrent		(7,121)	(6,503)
Investment using the equity method		(11,925)	-
Dividends received from investments accounted for using equity		1,221	2,441
Acquisitions of: Property, plant and equipment	6(32)	(1,582,254)	(1,689,681)
Proceeds from disposal or redemption of: Property, plant and equipment		197,125	10,235
Increase in intangible assets		(5,791)	(2,715)
Refundable deposits refunded		7,646	1,047
Net cash used in investing activities		(1,344,624)	(1,668,680)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term loans	6(33)	(762,651)	958,281
Proceeds from short-term bills payable	6(33)	660,000	40,000
Repayment of the principal portion of lease liabilities	6(33)	(13,468)	(20,136)
Proceeds from long-term bank loans	6(33)	1,385,207	6,319,534
Repayment from long-term bank loans	6(33)	(2,238,866)	(5,909,807)
Cash capital increase	6(20)	2,250,000	-
Cash dividends	6(22)	(307,469)	(509,913)
Proceeds from Disposal of Treasury Stock	6(20)	-	(35,010)
Net cash used in financing activities		972,753	842,949
EFFECT OF EXCHANGE RATE		8,177	(829)
NET INCREASE IN CASH AND CASH EQUIVALENTS		152,243	268,812
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		795,667	526,855
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 947,910	$ 795,667

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

Chairman：Shen, Guo-rong　　Manager：Chen, Jun-zhi　　Chief accountant：Chen, Chang-yuan

Hota Industrial Manufacturing Company Limited and Subsidiaries
Consolidated Financial Statements Notes
2021 and 2020 January 1 to December 31

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

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 16, 2022.

3. APLLICATION OF NEWLY ISSUED AND REVISED STANDARDS AND INTERPRETATIONS

(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 2021 and the IFRSs issued by International Accounting Standards Board (IASB) and endorsed by the FSC with effective date starting 2021:

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
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
Amendment to IAS 16 "Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concession after June 30, 2021"	April 1, 2021 (Note)

Note: FSC allows to apply from January 1st, 2021 onwards.

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

(BLANK BELOW)

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

New standards, interpretations and amendments issued by IASB and applicable in 2022 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 IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts–Cost of Fulfilling a Contract"	January 1, 2022
2018-2020 periodical annual improvements	January 1, 2022

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

(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 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 IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

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

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. Except below key items, these 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:

Name of investor	Name of subsidiary	Main business and products	Percentage of Ownership (%) December 31, 2021	December 31, 2020	Explanatory Note
Hota Industrial Manufacturing Company Limited	Hozuan Investment Company Limited ("Hozuan")	Investment activities	100	100	
Hota Industrial Manufacturing Company Limited	Howin Precision Company Limited ("Howin")	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, and wholesale and retail sale of hardware parts and metal parts	61.05	61.05	
Hota Industrial Manufacturing Company Limited	Wuxi Hoda Precision Gear Company Limited ("Wuxi Hoda")	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 Manufacturing Company Limited	Juda Intelligent Technology ("Juda")	Manufacturing and sell various of precision gears for automobiles and motorbikes	83.33	83.33	
Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd. ("Hefu")	Construction and investment development of residences, apartments and mixed residential office buildings	50	-	Note
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	

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

3. Subsidiaries not included in consolidated financial reports: None.
4. Subsidiaries adopting different ways of adjustment and handling during accounting period: None.
5. Significant limitations: None.
6. Subsidiaries hold significant un-controlling rights and profits to the Group: None.

(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 or they are intended to be sold or consumed.
   (2) Assets were held on the purpose of transaction.
   (3) Assets expected to realize within 12 months after the reporting date.
   (4) Cash and cash equivalents are included except those who are subject to restrictions on exchange or use to pay off debts at least 12 months after the date of the reporting date.

   The Group classifies those not meeting above conditions to be non-current assets.
2. Liabilities that meet 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. And then the amount of dividends can be reliably measured, the Group recognizes dividend income in the profit and loss.
   (2) Changes in the fair value of debt instruments are recognized in other comprehensive profit and loss, impairment losses, interest income and foreign currency exchange gains and losses before delisting are recognized in profit and loss. And when delisting, accumulated gains or losses previously recognized in other comprehensive profit and loss would re-classify as profit and loss instead of equity.

(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)	6 ~ 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 were remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.
4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

(18) Investment Properties

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

(19) 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.

(20) Impairment of non-financial assets

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

(21) 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.

(22) 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.

(23) Derecognition of Financial Liabilities

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

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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.

(31) 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.

5. SIGNIFICANT SOURCES OF UNCERTAINTY IN MAJOR ACCOUNTING JUDGMENTS, ASSUMPTIONS AND ESTIMATES

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

(1) Major 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 3,056,786 thousand on December 31, 2021.

6. EXPLANATION OF IMPORTANT ACCOUNTING SUBJECTS

(1) Cash and Cash equivalents

	December 31, 2021	December 31, 2020
Cash on hand and working capital	$ 3,020	$ 6,716
Demand deposit	704,039	354,713
Foreign currency deposit	240,839	434,210
Check deposit	12	28
Total	$ 947,910	$ 795,667

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	December 31, 2021	December 31, 2020
Current item:		
Equity Instruments		
Listed company stocks	$ 150,323	$ 151,959
Evaluation adjusted	(23,524)	(31,453)
Total	$ 126,799	$ 120,506
Non-Current item:		
Equity Instruments		
Non-listed company stocks	$ 89,750	$ 82,629
Evaluation adjusted	(30,237)	(18,213)
Total	$ 59,513	$ 64,416

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, 2021, and 2020 were NT 186,312 thousand and NT 184,922 thousand respectively.

2. The details of FVTOCI financial assets recognized in income and comprehensive income are listed below:

	Year 2021	Year 2020
FVTOCI Equity Instruments		
FVTOCI recognition adjusted	$ 2,176	$ 9,202
Derecognition of cumulative gains to be transferred to retained earnings	(6,271)	(7,436)
Total	($ 4,095)	$ 1,766

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, 2021, and 2020 were NT 186,312 thousand and NT 184,922 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

Items	December 31, 2021	December 31, 2020
Current item:		
Time deposits (over 3 months)	$ 33,872	$ 32,819
Restricted deposit	-	56,738
	$ 33,872	$ 89,557
Non-current item:		
Restricted deposit	$ 32	$ 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, 2021, and 2020 were NT 33,904 thousand and NT 89,589 thousand respectively.

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

(4) Account receivable and Note Receivable

	December 31, 2021	December 31, 2020
Note receivable (NR)	$ 50,462	$ 18,537
Account receivable (AR)	$ 2,693,721	$ 2,264,779
Less: Allowance	(52,708)	(49,700)
	$ 2,641,013	$ 2,215,079

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

	December 31, 2021		December 31, 2020	
	AR	NR	AR	NR
Not overdue	$ 2,291,574	$ 50,462	$ 1,934,807	$ 18,537
Within 120 days	277,969	-	232,660	-
121-240 days	41,341	-	56,123	-
241-360 days	55,521	-	18,974	-
Over 361 days	27,316	-	22,215	-
	$ 2,693,721	$ 50,462	$ 2,264,779	$ 18,537

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

2. As of December 31, 2021, December 31, 2020, and January 1, 2020, the balance of account receivable (including note receivable) between the Group and its customers was NT 2,744,183 thousand, NT 2,283,316 thousand, and 2,287,242 thousand respectively.
3. The Group signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of December 31, 2021, and 2020, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was 734,618 thousand and 727,869 thousand respectively. On December 31, 2021, the valuation adjustment recognized in FVTOCI financial assets was 9,046 thousand; in addition, Accumulated Other comprehensive income reclassified to profits and losses was 6,975 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, 2021, and 2020 were NT 50,462 thousand and NT 18,537 thousand respectively; the maximum amount of credit risk exposure of the Group's outstanding account receivable on December 31, 2020, and 2019 were NT 2,693,721 thousand and NT 2,264,779 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, 2021, and 2020, the Group has delisted the AR, and the relevant information unexpired is as follows:

December 31, 2021

Financing objects	AR sold	Amount delisted	Amount prepaid	Amount unpaid	Rate rage (%)
O-Bank	$ 282,452	$ 282,452	$ 254,055	$ 28,397	0.75~0.95

December 31, 2020

Financing objects	AR sold	Amount delisted	Amount prepaid	Amount unpaid	Rate rage (%)
O-Bank	$ 178,478	$ 178,478	$ 160,550	$ 17,928	0.85~1.15

(6) Inventory

	December 31, 2021		
	Cost	Allowance for price reduction	Book value
Raw material	$ 855,181	($ 12,978)	$ 842,203
Work in process	1,263,149	(20,786)	1,242,363
Finish goods	1,043,575	(71,355)	972,220
Total	$ 3,161,905	($ 105,119)	$ 3,056,786

	December 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

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

	Year 2021	Year 2020
Cost of inventory sold	$ 5,082,865	$ 4,070,631
Allowances of loss for price decline and idle inventory	11,500	7,905
Income of the sale of scraps and obsoletes	(93,215)	(48,752)
Other	3,551	8,440
	$ 5,004,701	$ 4,038,224

(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:

	December 31, 2021	December 31, 2020
KAO FONG MACHINERY CO., LTD.	$ 269,731	$ 290,162
LING WEI CO., LTD.	44,396	29,723
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	4,437	3,472
	322,300	327,093
Less: Accumulated loss	(3,736)	(3,736)
	$ 318,564	$ 323,357

	Year 2021	Year 2020
Continuing business unit’s current net loss	($ 773)	($ 1,369)
Other comprehensive income (net after tax)	(15,171)	92
Total comprehensive income for the current period	($ 15,944)	($ 1,277)

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 208,682 thousand and NT 213,899 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 details of the share of the profits and losses of Associations and Joint ventures that adopt the equity method are as follows:

Association Invested	Year 2021	Year 2020
KAO FONG MACHINERY CO., LTD.	($ 5,816)	($ 1,968)
LING WEI CO., LTD.	3,969	62
TAKAWA SEIKI, INC.	1,074	537
	($ 773)	($ 1,369)

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

Cost	Year 2020 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 equipment	7,508,976	345,576	(102,196)	242,601	7,012	8,001,969
Transportation equipment	56,205	2,453	(323)	-	60	58,395
Utility equipment	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 equipment	2,398,492	361,689	(97,857)	-	2,127	2,664,451
Transportation equipment	21,615	4,750	-	-	30	26,395
Utility equipment	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

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:

	Year 2021	Year 2020
Capitalization amount	$ 20,994	$ 16,688
Interest rate range	1.17%	1.20%

(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:

	December 31, 2021	December 31, 2020
	Book value	Book value
Lands	$ 285,155	$ 294,353
Buildings	18,558	21,991
Transportation equipment	375	696
Other equipment	-	5
	$ 304,088	$ 317,045

	Year 2021	Year 2020
	Depreciation	Depreciation
Lands	$ 7,905	$ 7,916
Buildings	7,361	10,995
Transportation equipment	321	4,323
Other equipment	5	28
	$ 15,592	$ 23,262

The changes in the right-to-use assets of the Group in the year 2021, and 2020 are as follows:

Year 2021

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

Year 2020	Lands	Buildings	Transportation equipment	Other equipment	Total
At January 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 difference	1,309	(55)	-	-	1,254
At December 31	$ 294,353	$ 21,991	$ 696	$ 5	$ 317,045

4. The increase in the right-to-use assets of the Group in the Year 2020 and 2019 were NT 4,009 thousand and NT 4,681 thousand respectively.
5. Information about the profit and loss for the lease contracts are as follows:

	Year 2021	Year 2020
Items affecting current profit and loss		
Interest expense on lease liability	$ 4,208	$ 4,780
Expenses for short-term lease contracts	10,302	9,162
Lease modification benefits	57	320

6. The total lease cash outflows of the Group in 2021 and 2020 were NT 27,985 thousand and 34,078 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 2021 and 2020 are as follows:

	Year 2021	Year 2020
Rental income	$ 21,911	$ 19,454
Rental income recognized as variable lease payments	1,616	1,280

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

Duration	December 31, 2021	Duration	December 31, 2020
Year 2021	$ 21,911	Year 2020	$ 7,569
Year 2022	14,421	Year 2021	3,438
Year 2023	11,963	Year 2022	341
Year 2024	6,005	Year 2023	50
Year 2025	50	Year 2024	50
Year 2026	50	Year 2025	50
After Year 2027	500	After Year 2026	550
Total	$ 54,900	Total	$ 12,048

(11) Investment properties

	Year 2021 Lands	Year 2020 Lands
At January 1		
Cost	$ -	$ -
Accumulated loss	-	-
	$ -	$ -
At January 1	$ -	$ -
Reclassification(Note)	30,387	-
At December 31	$ 30,387	$ -
At December 31		
Cost	$ 30,387	$ -
Accumulated loss	-	-
	$ 30,387	$ -

Note: Transferred from "Real Estate, Plants and Equipment".

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

	Year 2021	Year 2020
Direct operating expenses incurred by investment properties that do not generate rental income in the current period	$ 186	$ -

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

(12) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayment for equipment	$ 36,464	$ 450,755
Prepayment for lands	207,240	87,818
Prepayment for construction	8,771	33,176
Refundable deposits	3,617	7,646
Other non-current assets	57,406	46,243
	$ 313,498	$ 625,638

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

(13) Short-term loan

Property of loan	December 31, 2021	Rate range	Collaterals
Bank loan			
Secured loan	$ 132,200	0.90%~1.28%	Investment, plant, buildings, machinery and equipment using the equity method
Credit loan	1,188,139	0.59%~3.05%	-
	$ 1,320,339		

Property of loan	December 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%	-
	$ 2,088,753		

(14) Short-term notes & bills payable

Bills finance company	December 31, 2021	Rate of issuance	Collaterals
Land Bills	$ 960,000	0.58%	Note 1
Mega Bills	100,000	0.92%	
China Bills	200,000	0.92%	
	$ 1,260,000		

Bills finance company	December 31, 2020	Rate of issuance	Collaterals
E.Sun Bills	$ 300,000	1.39%	Note 2
Mega Bills	100,000	0.92%	
China Bills	200,000	0.92%	
	$ 600,000		

Note 1: Land Bills credit line is the combined credit line from the Syndicated Loans of Land Bank of Taiwan. The combined book value is NT 960,000 thousand.

Note 2: 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.

(15) Other payables

	December 31, 2021	December 31, 2020
Salary payable	$ 96,366	$ 86,827
Employee's compensation and remuneration payable to directors	12,100	10,237
Equipment payment payable	208,380	91,933
Freight payable	239,709	50,718
Other	307,672	197,998
	$ 864,227	$ 437,713

(16) Long-term loan

Loan type	Loan period and repayment method	Rate range	Collaterals	December 31, 2021
Syndicated secured loans- Land Bank	Since March 24, 2024, every 6 months, repayment in installments until March 24, 2029.	1.79%	Land, plants, office buildings and machinery equipment	$ 850,000
Secured loan	Sequentially due before May, 2039. (Repayments in installments)	0.00%~5.31%	Land, buildings, plants and machinery equipment	2,897,106
Credit loan	Sequentially due before August, 2026. (Repayments in installments)	0.00%~1.21%	-	2,636,483
				6,383,589
Less: Long-term loans due within one year or one operating cycle (listed other current liabilities)				(1,159,609)
Less: Government grant discount				(50,855)
				$ 5,173,125

Property of loan	Loan period and repayment method	Rate range	Collaterals	December 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 and machinery equipment	3,530,191
Credit loan	Sequentially due before August, 2026. (Repayments in installments)	0.10%~1.21%	-	2,382,070
				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)
				$ 5,042,695

1.(1) One March 24, 2021, the Company signed a Syndication Loan Contract with a group of banks formed by Taiwan Land Bank and E.Sun Bank, etc., with a total credit line of NT 5,000,000 thousand, and Taiwan Land Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2021, the allocated amount was NT 850,000 thousand, and the undrawn amount was NT 4,150,000 thousand. In addition to other relevant regulations, the above-mentioned syndication loan contract includes the following restrictions: during the credit period, the following financial ratios shall be maintained, and be reexamined in the financial statements verified by the accountant every year:

A. The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line and amount of the short-term commercial papers payable of the credit line)] shall keep at 100% (inclusive) or more.

B. The financial liabilities ratio [(Short-term loans+short-term commercial papers payable + one-year maturity amount of long-term loans+corporate bonds+long-term loan)/tangible assets net value] shall keep below 200% (inclusive).

C. Tangible assets (net value minus intangible assets): shall not less than NT 4 billion.

(2) During the credit period and the provisions of the syndication loan contract, the Company must follow specific financial ratios at the end of the year and half of the year, such as the current ratio, debt to equity ratio, and interest protection multiple requirements. As of December 31, 2021, the Company has not violated the above restrictions.

2. On July 18 and December 13, 2019, the Group signed a loan contract at low-interest rate with First Bank to enrich mid-term working capital and for payments of machinery equipment purchases. The loan interest is calculated and paid monthly at the two-year fixed deposit flexible interest rate of Chunghwa Post Co., Ltd., with an annual interest rate of 0.1%, and will be adjusted when the pricing interest rate is changed.

(17) 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, 2021, 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 2029. 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 1,749,128 thousand, and the difference between the amount obtained and the fair value of the borrowing is NT 50,855 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.

(18) 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:

	December 31, 2021	December 31, 2020
The present value of net defined benefit obligations	$ 189,564	$ 201,364
Fair value of project assets	(121,096)	(117,687)
Net defined benefit liabilities	$ 68,468	$ 83,677

(3) The changes to the present value of defined benefit obligations are as follows:

	Present value of defined benefit obligations	Fair value of project assets	Net defined benefit liabilities
Year 2021			
Balance on Jan. 1	$ 201,364	($ 117,687)	$ 83,677
Current service cost	827	-	827
Interest expense (income)	584	(345)	239
	202,775	(118,032)	84,743
Remeasurement:			
Planned asset earning (Exclude money in interest income or expenses)	-	(1,806)	(1,806)
Changes by demographic assumptions impact	407	-	407
Changes by financial assumptions impact	(311)	-	(311)
Changes by plan reduction	(5,400)	-	(5,400)
Adjustment by experience	1,012	-	1,012
	(4,292)	(1,806)	(6,098)
Provision to the pension fund	-	(10,177)	(10,177)
Pension payment	(8,919)	8,919	-
Balance on Dec. 31	$ 189,564	($ 121,096)	$ 68,468

	Present value of defined benefit obligations		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
		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)
		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

(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, 2021, and 2020, 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 2021		Year 2020	
	The Company	Subsidiaries	The Company	Subsidiaries
Discount rate	0.70%	0.65%	0.30%	0.30%
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:

	Discount rate +0.25%	Discount rate -0.25%	Future salary increase rate +0.25%	Future salary increase rate -0.25%
December 31, 2021				
Impact on the present value defined benefit obligations	($ 3,482)	$ 3,605	$ 3,517	($ 3,415)
December 31, 2020				
Impact on the present value defined benefit obligations	($ 3,973)	$ 4,120	$ 4,003	($ 3,882)

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 2022 is NT 8,717 thousand.

(7) As of December 31, 2021, the weighted average duration of the retirement plan was 6 years. An analysis of the grant date of the retirement payment is as follows:

Less than 1 year	$ 21,417
1-2 years	9,948
2-5 years	66,527
More than 5 years	100,547
	$ 198,439

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 2021 and 2020, the Company recognized the cost of retirement payment according to the above-mentioned method are NT 36,319 thousand and NT 32,166 thousand respectively.

(19) 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

For the year ended December 31, 2021: None.

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	Dec. 15, 2020	105	90	-	-	-	-	15

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

	Year 2021	Year 2020
Equity-settled	$ -	$ 20,895

(20) Share capital

1. As of December 31, 2021, Company's authorized capital was $3,500,000,000 and the paid-in capital was $2,795,175,000, consisting of 279,518 thousand shares of common stock with a par value of $10 (in dollars) per share. As of December 31, 2021, total outstanding shares were 279,518 thousand.

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

	Year 2021	Year 2020
At January 1	254,518	254,957
Cash capital increase	25,000	-
Stock repurchase (Note)	-	(439)
At December 31	279,518	254,518

   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. The Company was approved by the resolution of the Board of Directors to decrease in treasury stock of 439 thousand shares on August 13, 2020. 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) 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.

(21) Capital reserve

	December 31, 2021	December 31, 2020
May be used to offset a deficit, distribute cash dividends or capital surplus		
Additional paid-in capital	$ 3,804,533	$ 1,877,208
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	23,295	23,295

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

   Changes in capital reserve are as follows:

Year 2021

	Additional paid-in capital	Stock option	Gain from asset disposition	Changes in ownership interests in subsidiaries	Total
Balance, begin	$ 1,877,208	$23,295	$ 309	$ 5,667	$ 1,906,479
Cash capital increase	2,000,000	-	-	-	2,000,000
Capital reserve to distribute cash dividends	(72,675)	-	-	-	(72,675)
Balance, end	$ 3,804,533	$23,295	$ 309	$ 5,667	$ 3,833,804

Year 2020

	Additional paid-in capital	Stock option	Gain from asset disposition	Changes in ownership interests in subsidiaries	Total
Balance, begin	$ 1,907,828	$ 2,400	$ 309	$ 5,667	$ 1,916,204
Treasury stock disposition	(30,620)	-	-	-	(30,620)
Cash capital increase	-	20,895	-	-	20,895
Balance, end	$ 1,877,208	$23,295	$ 309	$ 5,667	$ 1,906,479

3. By the resolution of the Board of Directors on March 17, 2021, and approval of the Shareholder's Meeting on July 20, 2021, the Company shall allocate

cash dividends from capital reserve with a distribution of $0.26 per share and the total dividends will be NT$72,675,000.

(22) Retained earnings

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

   (2) At the time of initial application of IFRS, special reserve set aside, referred in Rule No. Financial-Supervisory-Securities-Issuing-1010012865 issued on April 6, 2012, shall be transferred into retained earnings from unrealized revaluation increments and cumulative translation adjustment under equity upon the acceptance of application of IFRS 1 exemption. However, the Group has negative number in net effect of retained earnings, special reserve is no need to be set aside.
5. The appropriations of earnings for 2021 and 2020 had been resolved at the Board of Directors on March 16, 2022 and the shareholders' meeting on July 20, 2021, respectively. Details are summarized below:

	Year 2021 Amount	Year 2021 Dividends per share (in dollars)	Year 2020 Amount	Year 2020 Dividends per share (in dollars)
Capital reserve to distribute cash dividends	$ -	$ -	$ 72,675	$ 0.26
Legal reserve	35,326		29,489	
Special reserve	12,118		-	
Cash dividends	381,541	1.37	234,794	0.84

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

(23) Other equity items

Year 2021

	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
At January 1	($ 42,421)	($ 10,560)	$ 17,865	($ 35,116)
Evaluation adjusted				
– Group	-	1,514	1,436	2,950
– Associates	-	-	-	-
Valuation adjustments transfer into retained earnings	-	-	(3,360)	(3,360)
– Associates	-	-	(19,202)	(19,202)
Valuation adjustments transfer into retained earnings	-	-	(2,911)	(2,911)
Differences for foreign currency translation:				
– Group	(8,129)	-	-	(8,129)
– Tax for Group	1,361	-	-	1,361
– Associates	4,031	-	-	4,031
– Tax for associates	22	-	-	22
At December 31	($ 45,136)	($ 9,046)	($ 6,172)	($ 60,354)

Year 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
At January 1	($ 32,179)	($ 20,881)	$ 4,824	($ 48,236)
Evaluation adjusted			-	
–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)

(24) Operating revenue

	Year 2021	Year 2020
Revenue from contracts with customers	$ 6,686,364	$ 5,211,042

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:

Year 2021					
	Transmission components for car				
	USA	China	Taiwan	Other regions	Total
Revenue from segments	$4,028,709	$822,225	$418,351	$1,609,798	$6,879,083
Revenue from internal segments transaction	(27,920)	(94,658)	(70,141)	-	(192,719)
Revenue from external customer contracts	$4,000,789	$727,567	$348,210	$1,609,798	$6,686,364
Revenue recognition time					
Revenue recognition at a point of time	$4,000,789	$727,567	$348,210	$1,609,798	$6,686,364

(1)USA：HOTA Industrial NT$3,945,771,000 and others NT$55,018,000.
(2)China：HOTA Industrial NT$328,463,000 and others NT$399,104,000.
(3)Taiwan：HOTA Industrial NT$302,771,000 and others NT$45,439,000.
(4)Others：HOTA Industrial NT$1,609,798,000.

Year 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.

2. Contract liabilities

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities-Receipts in advance	$ 244	$ -	$ -

(25) Interest income

	Year 2021	Year 2020
Interest income from bank deposits	$ 860	$ 1,819
Interest income financial assets measured at amortized cost	22	259
Other interest income	67	2,725
	$ 949	$ 4,803

(26) Other income

	Year 2021	Year 2020
Rental income	$ 23,527	$ 20,734
Dividend revenue	4,365	4,093
Government grants income	33,923	58,944
Other income－other	39,320	27,039
	$ 101,135	$ 110,810

(27) Other gains and losses

	Year 2021	Year 2020
Gains on disposals of property, plant and equipment	$ 5,630	$ 2,494
Foreign exchange losses	(64,914)	(80,837)
Lease modification benefits	57	276
Other	-	(449)
	($ 59,227)	($ 78,516)

(28) Finance costs

	Year 2021	Year 2020
Interest expense from bank borrowings	$ 106,702	$ 120,199
Less: Qualifying capitalization of interest	(20,994)	(16,688)
Subtotal	85,708	103,511
Interest expense-lease liabilities	4,208	4,780
Finance costs	$ 89,916	$ 108,291

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

	Year 2021	Year 2020
Employee benefit expense		
Salaries and wages	$ 770,113	$ 713,019
Labor and health insurance	81,368	76,536
Pension	34,926	33,905
Other personnel expenses	65,281	55,925
	$ 951,688	$ 879,385
Depreciation on property, plant and equipment	$ 559,415	$ 599,821
Depreciation on right-of-use assets	$ 15,592	$ 23,262
Amortization	$ 6,373	$ 10,067

1. The numbers of employees of the Group for 2021 and 2020 were 1,324 and 1,279 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, 2021 and 2020, employee's compensation and directors' remuneration were accrued at as follows:

	Year 2021	Year 2020
Employees' compensation	$ 8,500	$ 6,716
Directors' remuneration	3,600	3,521
	$ 12,100	$ 10,237

The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 2.04% and 0.86% of distributable profit of current year for the year ended December 31, 2021. The employees' compensation and directors' remuneration resolved by the Board of Directors were $8,500,000 and $3,600,000, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2020 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

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

(30) Income tax

1. Income tax expense

(1) Components of income tax expense:

	Year 2021	Year 2020
Current tax:		
Current tax on profits for the year	$ 95,085	$ 50,883
Surtax on undistributed retained earnings	1,530	3,376
Tax effect of investment tax credits	(26,749)	(32,127)
Prior year income tax underestimation (overestimation)	(365)	2,211
Total current tax	69,501	24,343
Deferred tax:		
Origination and reversal of temporary differences	(6,344)	14,145
Total deferred tax	(6,344)	14,145
Income tax expense	$ 63,157	$ 38,488

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

	Year 2021	Year 2020
Exchange difference on translation of foreign operations	$ 1,383	$ 2,227
Remeasurements of defined benefit obligation	(1,147)	(348)
	$ 236	$ 1,879

2. Reconciliation between income tax expense and accounting profit

	Year 2021	Year 2020
Tax calculated based on profit before tax and statutory tax rate	$ 86,971	$ 72,074
Tax effect disallowed by tax regulation	1,767	909
Exempt from income tax pursuant to the Income Tax Act	3	(7,955)
Tax effect of investment tax credits	(26,749)	(32,127)
Prior year income tax underestimation (overestimation)	(365)	2,211
Surtax on undistributed retained earnings	1,530	3,376
Income tax expense	$ 63,157	$ 38,488

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

	Year 2021			
	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	$ 14,869	($ 2,128)	$ -	$ 12,741
Allowance for inventory valuation and obsolescence losses	17,510	2,668	-	20,178
Unappropriated accrued pension	2,969	(2,940)	-	29
Allowance for uncollectible accounts	3,253	43	-	3,296
Remeasurements of defined benefit obligation	7,417	-	(1,220)	6,197
Differences between the accounting treatment and tax regulations in right-of-use assets	3,365	(355)	-	3,010
Unrealized foreign exchange loss	8,503	2,975	-	11,478
Loss tax credit	187	259	-	446
Others	5,270	(486)	-	4,784
Subtotal	$ 63,343	$ 36	($ 1,220)	$ 62,159
－Deferred income tax liabilities:				
Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	($ 48,901)	$ 6,308	$ -	($ 42,593)
Exchange difference on translation of foreign operations	(4,039)	-	1,383	(2,656)
Land value increment tax	(1,417)	-	-	(1,417)
Subtotal	($ 54,357)	$ 6,308	$ 1,383	($ 46,666)
Total		$ 6,344	$ 163	

	Year 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	

4. Deductible temporary difference of unrecognized deferred tax assets

	December 31, 2021	December 31, 2020
Deductible temporary difference	$ 6,784	$ 6,755

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

(31) Earnings per share

	Year 2021		
	Amount after tax	Weighted average number of ordinary shares of outstanding (shares in thousand)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 341,823	277,326	$ 1.23
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	341,823	277,326	
Assumed conversion of all dilutive			
Employees' compensation	-	106	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 341,823	277,432	$ 1.23

	Year 2020		
	Amount after tax	Weighted average number of ordinary shares of outstanding (shares in thousand)	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			
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

1. Weighted average number of ordinary shares of outstanding for 2020 was calculated considering weighted average number of treasury stock.
2. Weighted average number of ordinary shares of outstanding for 2021 was calculated considering weighted average number of treasury stock.
3. 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 dilutive effect.

(32) Supplemental cash flow information

1. Investing activities with partial cash payments:

	Year 2021	Year 2020
Purchase of property, plant and equipment	$ 1,987,588	$ 1,477,562
Add: Opening balance of payable equipment	91,933	212,870
Ending balance of prepayment for equipment	36,464	450,755
Ending balance of prepayment for construction	8,771	33,176
Acquisition of other noncurrent assets-Lands	119,422	2,905
Transferred to investment properties	30,387	-
Less: Ending balance of payable equipment	(208,380)	(91,933)
Opening balance of prepayment for equipment	(450,755)	(374,464)
Opening balance of prepayment for construction	(33,176)	(21,190)
Cash paid during the year	$ 1,582,254	$ 1,689,681

(33) 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, 2021	$2,088,753	$ 600,000	$275,839	$7,245,965	$ -	$10,210,557
Changes in cash flow from financing activities	(762,651)	660,000	(13,468)	(853,659)	(307,469)	(1,277,247)
Increase during the year	-	-	-	-	307,469	307,469
Changes in other non-cash items	-	-	4,277	-	-	4,277
Impact of changes in foreign exchange rate	(5,763)	-	(11)	(8,717)	-	(14,491)
December 31, 2021	$1,320,339	$1,260,000	$266,637	$6,383,589	$ -	$ 9,230,565

	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

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
Guo-Rong Shen	Other related parties (Chairman of the Company)
Main Drive Corporation	Other related parties
Taipei Gaohe Chungui Charity Foundation	Chairman of the Foundation is same as that of the Company.

(2) Significant related party transactions

1. Operating revenue

	Year 2021	Year 2020
Sale of goods		
Associates	$ 2,611	$ 1,084
Other related parties	286	11,842
	$ 2,897	$ 12,926

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. Purchasing

	Year 2021	Year 2020
Purchase of goods		
Associates	$ -	$ 98
Other related parties	-	127
	$ -	$ 225

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

	Year 2021	Year 2020
Associates	$ 91,011	$ 49,467

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. Rental income

	Year 2021	Year 2020
Associates	$ 600	$ 600

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

5. Rental expense

	Year 2021	Year 2020
Associates	$ -	$ 1,259

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

6. Receivables from related parties

	December 31, 2021	December 31, 2020
Accounts receivable:		
Associates	$ 792	$ 291
Other related parties	56	-
Total	$ 848	$ 291

7.Payables to related parties

	December 31, 2021	December 31, 2020
Other payables:		
Associates	$ 7,727	$ 6,930
Other related parties	121	314
Total	$ 7,848	$ 7,244

8.Other non-current assets

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

9.Property transactions

(1) Purchase of property transaction

	Year 2021	Year 2020
Purchase of property, plant and equipment		
Associates	$ 8,566	$ 11,899
Other related parties	2,125	1,619
	$ 10,691	$ 13,518

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

	December 31, 2021	December 31, 2020
Purchase of property, plant and equipment		
Associate	$ 417	$ 324
Other related parties	-	80
	$ 417	$ 404

10.Leasing agreement-lessee

(1) The Group leases building from associates, the lease term is between years 2016 and 2021, and the rental for each year shall be paid by the end of that year.

(2) Lease liabilities

Interest expense

	Year 2021	Year 2020
Associates	$ -	$ 27

(3)Key management compensation

	Year 2021	Year 2020
Other short-term employee benefits	$ 36,072	$ 47,898
Post-employment benefits	1,191	1,197
Total	$ 37,263	$ 49,095

8. ASSETS PLEDGED AS COLLATERALS

Pledged assets	Book value December 31, 2021	December 31, 2020	Purpose
Financial assets at amortized cost	$ -	$ 56,738	Project guarantee, L/C
Investments under Equity method	89,601	96,036	Short-term borrowings
Property, plant and equipment	8,708,110	5,974,351	Long-term loans, Short-term borrowings
Other non-current assets	1,515	1,515	Secured loans and Long-term loans
	$ 8,799,226	$ 6,128,640	

9. COMMITMENTS AND CONTINGENCIES

1. As of December 31, 2021 and 2020, Letter of Credit issued but not used for purchasing of raw material and machinery equipment was NT$259,579,000 and NT$153,517,000, respectively.
2. Capital expenditure on contract signed but not occurred yet

	December 31, 2021	December 31, 2020
Property, plant and equipment	$ 1,310,218	$ 354,170

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$689,000 and NT$680,000 were recognized in other income by the Group for 2021 and 2020, respectively.

10. LOSSES DUE TO MAJOR DISASTERS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's managing capital is based on industry scale of operating business, taking into consideration of the industry future growth and product developments, and sets up an appropriate market share, according to that, plans corresponding capital expenditure. In addition to calculate demanded working capital based on financial operating plans, and finally determine an appropriate cost structure by considering operating income and cash flow arising from product 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, 2021 and 2020, is as follows:

	December 31, 2021	December 31, 2020
Total liabilities	$ 12,359,491	$ 11,944,132
Total assets	21,103,619	18,351,175
Ratio of liabilities to assets	58.57%	65.09%

(1) Financial instruments

1. Financial instruments by category

	December 31, 2021	December 31, 2020
Financial assets		
Financial asset at fair value through other comprehensive income		
Investments for using designated equity method	$ 186,312	$ 184,922
Accounts receivable	734,618	727,869
Financial asset at amortized cost/loans and accounts receivable		
Cash and cash equivalents	947,910	795,667
Financial assets at amortized cost	33,904	89,589
Notes receivable	50,462	18,537
Accounts receivable	1,906,395	1,487,210
Other receivables	121,713	113,358
Refundable deposits	3,617	7,646
	$ 3,984,931	$ 3,424,798

	December 31, 2021	December 31, 2020
Financial liabilities		
Short-term borrowings	$ 1,320,339	$ 2,088,753
Short-term notes & bills payable	1,260,000	600,000
Notes payable	921,500	431,512
Accounts payable	1,104,467	578,526
Other payables	864,227	437,713
Long-term loan (including the expiration within a year or an operating cycle)	6,383,589	7,245,965
	$ 11,854,122	$ 11,382,469
Lease liabilities	$ 266,637	$ 275,839

2. Financial risk management policies

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

(2) Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units,

such as foreign exchange risk, interest rate risk, credit risk and derivative and non-derivative financial instruments, and investment of excess liquidity.

3. Significant financial risks and degrees of financial risks

(1) Market risk

<u>Foreign exchange risk</u>

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

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

(BLANK BELOW)

(Foreign currency: functional currency)	December 31, 2021 Foreign currency (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	$ 82,656	27.68	$ 2,287,918	1%	$ 22,879	$ -
JPY：TWD	71,941	0.24	17,266	1%	173	-
EUR：TWD	5,431	31.32	170,099	1%	1,701	-
RMB：TWD	24,972	4.34	108,378	1%	1,084	-
THB：TWD	35,131	0.83	29,159	1%	292	-
Investments under Equity method						
USD：TWD	$ 160	27.68	4,429	1%	$ -	$ 44
Financial liabilities						
Monetary items						
JPY：TWD	$ 386,464	0.24	$ 92,751	1%	$ 928	$ -
USD：RMB	19,662	6.37	543,572	1%	5,436	-
USD：TWD	1,063	27.68	29,424	1%	294	-
EUR：TWD	651	31.32	20,389	1%	204	-
CHF：TWD	5,686	30.18	171,603	1%	1,716	-

(Foreign currency: functional currency)	December 31, 2020 Foreign currency (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	9,436	1%	94	-
Investments under Equity method						
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	365,822	1%	3,658	-
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	-

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, 2021 and 2020, amounted to $64,914,000 and $80,837,000, 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 for the years ended December 31, 2021 and 2020, increased of NT$9,316,000 and NT$9,246,000, 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, 2021 and 2020, the Group's loans at floating interest rates are denominated in New Taiwan Dollars, US Dollars, Japanese Yen and CNY Dollars.

B. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2021 and 2020 decreased or increased NT$13,987,000 and NT$16,075,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

C. When the loans denominated in CNY Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2021 and 2020 decreased or increased NT$1,657,000 and NT$1,282,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

D. When the loans denominated in US Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2021 and 2020 decreased or increased NT$315,000 and NT$360,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

(2) Credit risk

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

B. For banks and financial institutions, only well-known rated parties with optimal credit rating in domestic or overseas are acceptable by the Group, and the Group cooperates with couple of banks and financial institutions in the meantime, instead of only a single party to reduce credit risk. 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:
   (a) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
   (b) Bond investments traded at Taipei Exchange ("TPEx") is recognized as low credit risk when that instruments in balance sheet are as investment grade rated by any of external rating agencies.

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

E. When the default rate of an investment target is more than 24.53%, 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:
   (a) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
   (b) The disappearance of an active market for that financial asset because of financial difficulties;
   (c) Default or delinquency in interest or principal repayments;
   (d) Adverse changes in national or regional economic conditions that are expected to cause a default.

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

J. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the provision matrix is as follows:

December 31, 2021

	Expected loss rate	Total book value	Loss allowance
Not overdue	0.02%	$ 2,291,574	$ 416
Within 120 days	1.84%	277,969	5,114
121-240 days	12.67%	41,341	5,237
241-360 days	26.34%	55,521	14,625
Over 361 days	100%	27,316	27,316
Total		$ 2,693,721	$ 52,708

December 31, 2020

	Expected loss rate	Total book value	Loss allowance
Not overdue	0.01%	$ 1,934,807	$ 179
Within 120 days	0.38%	232,660	892
121-240 days	21.01%	56,123	11,794
241-360 days	77.05%	18,974	14,620
Over 361 days	100%	19,798	19,798
Total		$ 2,262,362	$ 47,283

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, 2021 and 2020, the aforesaid cumulated loss allowance of accounts receivable by individual assessment was NT$0 and NT$2,417,000, respectively.

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

	Year 2021 Accounts receivable	Year 2020 Accounts receivable
At January 1	$ 49,700	$ 45,852
Provision for impairment loss	4,072	6,089
Write-off uncollectible accounts	-	(2,896)
Effect of foreign exchange	(1,064)	655
At December 31	$ 52,708	$ 49,700

(3) Liquidity risk

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

B. The loan limits of NT$3,452,092,000 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, 2021

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	$ 879,958	$ 448,050	$ -	$ -	$ -	$1,328,008
Short-term notes & bills payable	1,260,000	-	-	-	-	1,260,000
Notes payable	565,120	356,380	-	-	-	921,500
Accounts payable	1,092,509	11,958	-	-	-	1,104,467
Other payables	816,998	47,229	-	-	-	864,227
Lease liabilities	4,486	13,457	16,652	30,631	275,310	340,536
Other current liabilities	6,980	11,768	-	-	-	18,748
Long-term loan (including maturity date within one year or one operating cycle)	214,014	1,025,890	1,565,805	2,247,735	1,755,166	6,808,610

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 & bills payable	600,000	-	-	-	-	600,000
Notes payable	247,677	183,835	-	-	-	431,512
Accounts payable	476,772	101,755	-	-	-	578,527
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 loan (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

(1) 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, 2021	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at FVTOCI				
-Equity securities	$ 126,799	$ -	$ 59,513	$ 186,312
-Accounts receivable	-	734,618	-	734,618
Total	$ 126,799	$ 734,618	$ 59,513	$ 920,930

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

(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 has not happened for the years of 2021 and 2020.
5. Movements of Level 3 in the following table is shown for the years of 2021 and 2020:

	Year 2021	Year 2020
Balance, beginning of year	$ 64,416	$ 80,874
Purchase in the current year	5,401	6,503
Profit (loss) recognized in other comprehensive income	(10,304)	(22,961)
Balance, end of year	$ 59,513	$ 64,416

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, 2021 Fair value		Valuation technique	Material unobservable inputs	Range (Weighted average)	Relation of inputs and fair value
Non-derivative equity instruments:						
Equity securities	$	25,516	Comparable to listed companies pursuant to the Company Act	Price-book ratio multiplier	$ 6,745	The higher the multiplier, the higher the fair value.
Stocks from venture capital companies		33,997	Net assets valuation method	Not applicable	39,924	Not applicable

	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

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, 2021			
			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 price-book ratio	±1%	$ -	$ -	$ 595	($ 595)

			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 price-book ratio	±1%	$ -	$ -	$ 644	($ 644)

(2) Related information of COVID-19 epidemic

Due to the impact of various epidemic prevention measures promoted by the government for the COVID-19 and the significant increase in international shipping costs (listed as operating expenses), the Group has taken countermeasures and continued to manage related matters. The plans have been carried on by the Group are as follows:

1. According to the increase in international shipping costs, the trade term for the partial customers have been adjusted to FCA (Free Carrier).
2. As the government promotes policies of reducing cross-border movements of people and postponing the entering of migrant workers, the Group has increased the employment of dispatch workers to supplement the manpower.

13. OTHER DISCLOSURE

(1) Significant transactions information

1. Loans to others: Please refer to table 1.
2. Provision of endorsement and guarantees to others: Please refer to table 2.
3. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.
9. Trading in derivative instruments undertaken during the reporting periods: None.
10. Significant inter-company transactions during the reporting periods (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. Basic information: Please refer to table 6.
2. Significant transactions, pricing, payment terms and unrealized gains or losses, either directly or indirectly through a third area, with investee companies in the Mainland Area: Purchase amounts of the year 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: There is no information that any of shareholders holds 5% or more of common stock.

14. SEGMENTS 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 2021 reportable segments is as follows:

	Year 2021			
	HOTA	Others	Write-off	Total
Revenue				
Revenue from external customers	$6,202,850	$ 483,514	$ -	$6,686,364
Inter-segment revenue	27,920	164,799	(192,719)	-
Revenue-gross	$6,230,770	$ 648,313	($ 192,719)	$6,686,364
Segment profit before tax	$ 401,001	($ 10,647)	$ 13,446	$ 403,800
Segment profit before tax including:				
Interest expense	$ 75,806	$ 14,110	$ -	$ 89,916
Depreciation and amortization	542,501	38,879	-	581,380
Income tax expense	59,178	3,979	-	63,157

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

	Year 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

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:

	Year 2021	Year 2020
Operating segment revenue	$ 6,879,083	$ 5,311,518
Profit from continuing operations	(192,719)	(100,476)
Total of consolidated operating revenue	$ 6,686,364	$ 5,211,042

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

	Year 2021	Year 2020
Operating segment profit before tax	$ 390,354	$ 304,174
(Profit) loss from continuing operations	13,446	19,874
	$ 403,800	$ 324,048

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:

	Year 2021	Year 2020
Sale of goods	$ 6,686,364	$ 5,211,042

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

	Year 2021		Year 2020	
Country	Revenue	Non-current assets	Revenue	Non-current assets
USA	$ 4,000,789	$ 272,444	$ 3,720,533	$ 286,739
China	727,567	779,406	555,823	731,219
Taiwan	348,210	12,336,182	241,746	11,458,149
Others	1,609,798	-	692,940	-
Total	$ 6,686,364	$13,388,032	$ 5,211,042	$12,476,107

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, 2021 and 2020. The major customer information is as follows:

	Year 2021		Year 2020	
	Amount	Segment	Amount	Segment
Company A	$ 2,019,195	HOTA	$ 1,620,691	HOTA
Company B	2,054,464	HOTA	1,837,012	HOTA
	$ 4,073,659		$ 3,457,703	

(BLANK BELOW)

Hota Industrial Manufacturing Company Limited and Subsidiaries
Loans to Others
Year ended December 31, 2021

Table 1

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

No (Note 1)	Creditor	Borrower	General ledger account	Is a Related party	Maximum outstanding balance during the year ended 2021/12/31	Balance at December 31, 2021	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	Collaterals Item	Collaterals Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 2)	Remarks
0	Hota Industrial Manufacturing Company Limited	YUNG-CHIN DEVELOP FORGINGCO., LTD.	Other receivables	N	$ 14,338	$ 12,000	$ 12,000	2.50	2	$ -	Purchase of equipment	$ -		$ -	$ 1,724,621	$ 3,449,242	6
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	Other receivables	Y	55,360	-	-	2.00	2	-	Purchase of equipment	-		-	1,724,621	3,449,242	5
0	Hota Industrial Manufacturing Company Limited	CHIEN LI INDUSTRIAL CO., LTD.	Other receivables	N	6,000	6,000	6,000	2.50	2	-	Purchase of equipment	-		-	1,724,621	3,449,242	6

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:
(1)The Company is ‘0’.
(2)The 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.
Note5: The transactions were eliminated when preparing the consolidated financial statements.
Note6: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Provision of Endorsements and Guarantees to Others
Year ended December 31, 2021

Table 2

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

		Party being endorsed/guaranteed												
No (Note 1)	Endorser/ Guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guaranteees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of December 31,	Oustanding endorsement/ guarantee amount at December 31, 2021	Acutal amount drawn down (Note 6)	Amount of endorsements/ guarantee secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Remarks
0	Hota Industrial Manufacturing Company Limited	Howon(Whaian) Automobile Components Company Limited	(2)	$ 1,724,621	$ 304,480	$ 304,480	$ 298,833	$ -	0.04	$ 3,449,242	Y	N	N	
0	Hota Industrial Manufacturing Company Limited	Wuxi Hota Precision Gear Co., Ltd.	(2)	1,724,621	193,760	193,760	193,760	-	0.02	3,449,242	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 Industrial Manufacturing Company Limited and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
December 31, 2021

Table 3

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

					As of December 31, 2021				
Securities held by	Types of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book Value	Shareholding ratio	Fair Value	Remarks
Hota Industrial Manufacturing Company Limited	Stock	Shin Kong Financial Holding Co., Ltd.(2888)	-	Financial assets at fair value through other comprehensive income-current	2,957,688	$ 29,077	-	$ 32,682	
Hota Industrial Manufacturing Company Limited	Stock	World Known MFG (Cayman) Limited	-	Financial assets at fair value through other comprehensive income-current	974,000	4,740	-	16,732	
Hota Industrial Manufacturing Company Limited	Stock	Hwa Fong Rubber Ind. Co., Ltd.(2109)	The chairman of the company is the chairman of the company	Financial assets at fair value through other comprehensive income-current	1,714,679	46,566	-	28,807	
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	428,669	11,810	-	7,202	
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	2,462,854	58,130	-	41,376	
						150,323		$ 126,799	
				Evaluation adjusted		(23,524)			
						$ 126,799			
Hota Industrial Manufacturing Company Limited	Stock	BMB Venture Capital Investment Corporation	The chairman of the company is the chairman of the company	Financial assets at fair value through other comprehensive income-noncurrent	3,314,182	$ 33,142	9.28	$ 13,608	
Hota Industrial Manufacturing Company Limited	Stock	World Known MFG. Co., Ltd.	-	Financial assets at fair value through other comprehensive income-noncurrent	689,189	7,832	4.05	11,076	
Hota Industrial Manufacturing Company Limited	Stock	MAIN DRIVE CORPORATION	The chairman of the company is a director of the company	Financial assets at fair value through other comprehensive income-noncurrent	3,900,000	39,000	10.78	20,389	
Hota Industrial Manufacturing Company Limited	Ball card	TAICHUNG INTERNATIONALENTERTAINMENT 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	9,240	
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	6,766	7.93	5,200	
						89,750		$ 59,513	
				Evaluation adjusted		(30,237)			
						$ 59,513			

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 Industrial Manufacturing Company Limited and Subsidiaries
Significant inter-company transactions during the reporting period
For the year ended December 31, 2021

Table 4

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

No (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)	Remarks
0	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Sales	$ 27,920	According to the general priceand conditions, the paymentwill be collected within 180 days after shipment.	0.42%	Note 4、5
	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Account receivable	12,017	Payment is received within 90 days after shipment.	0.06%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	HOTATECH INC.	1	Commission expense	33,730	Based on the sales of specificmodels shipped by the parent company to specific customers, calculated according to acertain percentage.	0.50%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	1	Sales	24,982	According to the general price and conditions, payment will be made within 30~180 days after acceptance of each different model.	0.37%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	HOWON POWERTRAIN CO., LTD.	1	Account receivable	17,127	Payment will be made within 30~180 days after acceptance of each different model.	0.08%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	1	Processing costs	62,754	According to the general processing price and conditions, payment will be made within 120 days after acceptance.	0.94%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	1	Accounts payable	30,790	Payment within 120 days after acceptance.	0.15%	Note 4、5
0	Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd.	1	Other receivables	34,284	According to the agreement of both parties.	0.16%	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 l consolidated total operating revenues for income statement accounts.

Note 4： Transaction amounts account for at least NT$10 million.

Note 5: The transactions were eliminated when preparing the consolidated financial statements.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Information on Investees (not including investees in Mainland China)
For the year ended December 31, 2021

Table 5

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

Investor	Investee (Note 1、2)	Location	Main business activities	Initial investment amount: As at December 31, 2021	Initial investment amount: As at December 31, 2020	Shares held as December 31, 2021: Number of Shares	Shares held as December 31, 2021: Percentage (%)	Shares held as December 31, 2021: Book Value	Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Remarks
Hota Industrial Manufacturing Company Limited	Hezuan Investment	Taiwan	Investment activities	$ 167,190	$ 167,190	25,221,000	100.00	$ 283,620	($ 5,485)	($ 5,485)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	CAPTAIN HOLDING CO., LTD.	Seychelles	Holding company	326,073	326,073	10,602,990	100.00	151,788	(6,861)	(6,861)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	HOTATECH,INC.	USA	Sell variuos precision gears for automobiles	173,638	173,638	530,200	100.00	229,841	16,428	16,428	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	HOWIN PRECISION CO., LTD.	Taiwan	Manufacturing of internal combustion engines and piston rings for automobiles and motorbikes, andwholesale of hardware parts and metalparts	41,450	41,450	7,305,147	61.05	81,141	(3,685)	(2,250)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	Juda Intelligent Technology Co., Ltd.	Taiwan	Manufacturing and selling various precision gears and shafts for automobiles	5,000	5,000	500,000	83.33	4,983	(13)	(11)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	Hefu Construction Co., Ltd.	Taiwan	Construction and investment development of residences, apartments and mixed residential office buildings	68,000	-	68,000,000	50.00	67,746	(507)	(254)	Subsidiaries(Note 4)
Hota Industrial Manufacturing Company Limited	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	11,400	11,400	838,878	0.78	14,998	(36,126)	(281)	Invested company evaluatedby equity method(Note 3)
Hota Industrial Manufacturing Company Limited	TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Taiwan	Removal, storage and treatment ofgeneral and hazardous industrial waste.	12,500	12,500	375,000	25.00	-	-	-	Invested company evaluatedby equity method(Note 1)
Hota Industrial Manufacturing Company Limited	TAKAWA SEIKI, INC.	USA	Machinery traders and agents.	3,607	3,607	120,000	40.00	4,437	2,686	1,074	Invested company evaluatedby equity method
Hota Industrial Manufacturing Company Limited	LING WEI CO., Ltd.	Taiwan	Hardware wholesale industry.	36,338	24,413	3,633,750	45.00	44,396	8,820	3,969	Invested company evaluatedby equity method
Hezuan Investment	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	187,141	187,141	16,501,826	15.28	253,848	(36,126)	(5,518)	Invested company evaluatedby equity method(Note 2、3)
HOWIN PRECISION CO., LTD.	KAO FONG MACHINERY CO., LTD.	Taiwan	Manufacturing and trading of various machine tools, plastic injection molding machines, hand tools and mechanical equipment, etc.	677	677	49,471	0.05	885	(36,126)	(17)	Invested company evaluatedby equity method(Note 2、3)
HOTATECH,INC.	UNISON INVESTMENT CO., INC.	USA	Sell variuos precision gears for automobiles	82,236	82,236	236,341	100.00	(58,936)	-	-	Second-tier subsidiary (Note 2)

Note 1：The book value of the long-term investment is the balance after the impairment loss of 3,736 thousand has been recognized.
Note 2：Recognize investment gains and losses through each subsidiary.
Note 3：KAO FONG MACHINERY CO., LTD.is jointly held by Hota Industrial Manufacturing CO., LTD. And Howin Precision Company Limited and Hozuan investment Company Limited.
Its total shareholding ratio is 16.11%, and the investment loss recognized by the Group totals 5,816 thousand.
Note 4：The transactions were eliminated when preparing the consolidated financial statements.

Hota Industrial Manufacturing Company Limited and Subsidiaries
Information on Investment in Mainland China
For the year ended December 31, 2021

Table 6

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

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Invested Amount: Reitted to Mainland China	Invested Amount: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Remarks
Wuxi Hota Precision Gear Co., Ltd.	Manufacturing and sell various of precision gears for automobiles	$ 166,080	1	$ 160,544	$ -	$ -	$ 160,544	($ 14,502)	100.00	($ 14,502)	$ 30,838	$ -	Note 2、4、5
HOWON POWERTRAIN CO., LTD.	Manufacturing and selling of automobile gearboxes and gears.	293,408	2	293,408	-	-	293,408	(9,712)	100.00	(9,712)	163,806	-	Note 2、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 27.68: USD 1 prevailing on December 31, 2021.
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.

	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Investment amount approved by the Investment	Ceiling on investments in Mainland China imposed by the
Hota Industrial Manufacturing Company Limited	$ 453,952	$ 453,952	$ 5,173,863

Note 1：According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.
Note 2：Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 is US$16,400,000.