



2020

# Annual Report

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**Published on May 19, 2021**

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- V. Name of Exchange for Offering and Trading of Overseas Securities: N/A
- VI. Company Website URL: <http://www.hota.com.tw>

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## I. Report to the Shareholders:

### (I) Operation Report of the Year 2020

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

Unit: New Taiwan Dollar, thousand

Item	Year 2020		Year 2019	
	Amount	%	Amount	%
Operation Revenue	5,211,042	100	5,968,347	100
Operation Costs	(4,038,224)	(78)	(4,295,987)	(72)
Operation Margin	1,172,818	22	1,672,360	28
Operation Expenses	(776,207)	(15)	(853,831)	(14)
Operation Net Profit	396,611	7	818,529	14
Non-operating income and expenses	(72,563)	(1)	(73,610)	(1)
Net profit before tax	324,048	6	744,919	13
Income Tax Expense	(38,488)	—	(91,870)	(2)
Net Income after tax	285,560	6	653,049	11
Net income attributable to stockholders of the parent company	286,094	6	649,123	11
Net income attributable to non-controlling interests	(534)	—	3,926	—

#### 2. Analysis of Profitability:

Item		Year 2020	Year 2019
Return on Assets (%)		2.10	4.43
Return on Equity of Shareholders (%)		4.38	9.68
Ratio to Paid-in Capital (%)	Operation Net Profit	15.58	32.10
	Net Income after tax	12.73	29.22
Net Profit Ratio (%)		5.48	10.94
Earnings per share(Not been retrospective adjusted)		1.12	2.55

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

(1) The development results of Research & Development department in the last three years as follows:

- A. Differential assembly.
- B. Automatic and Tiptronic transmission components.
- C. Torque conversion system parts.
- D. Planetary gear set of Continuously Variable Transmission (CVT) gearbox.
- E. Heavy locomotive gearbox and transmission components.
- F. Gearbox parts for large agricultural machinery.
- G. Precision mechanical reducer.
- H. Gear hobbing machine, optical measuring instrument, gear scraping machine, chamfering machine.
- I. All-Terrain vehicles (ATV) and electric scooters.
- J. Electric vehicle gearbox components.
- K. Gear rotation measuring instrument.
- L. Aerospace parts

## (2) Major topics for future Research and Development

In recent years, the Company has worked hard towards product differentiation and market segmentation, committed to the development of high value-added products, and continued to invest in the design, research and development of green energy vehicle-related components to maintain its competitive advantage in the market and stabilize customers' relationships and their orders. In response to industrial upgrade and business expansion, the Company has successively purchased high-precision machinery and inspection equipment, cultivated R&D and design talents, invested in new product research and development, introduced smart manufacturing technology, and shortened research and development time to meet customer needs.

The focus of this year's research and development is to extend the previous year's results, to develop transmission systems for various vehicles, and to develop precision gears and transmission shafts required for green energy, environmentally friendly vehicle reducers.

The scheduled research and development products are as follows:

- A. American automobile automatic transmission components.
- B. American automobile torque conversion system components.
- C. New gearbox components for European high-end heavy locomotives.
- D. Oil pump gear of American industrial machinery.
- E. Gearbox parts of American Agricultural and Construction Machinery.
- F. US patented Limited Slip Differential (LSD).
- G. European series CVT components.
- H. Air compressor components for truck brake system
- I. Gear hobbing machine, gear scraping machine, chamfering machine.
- J. All kinds of ATVs, electric scooters and medical assistance vehicles.
- K. American electric vehicle gearbox components and their assembly.
- L. Bevel gear and bevel gear differential assembly.
- M. Planetary gear set of hybrid transmission.
- N. Gear intelligent production integration technology.
- O. Electric vehicle high-efficiency power transmission system assembly

## 4. Business Plan outline of the Year 2021:

### (1) Management Guideline:

- A. Improve quality system and strengthen quality management:

Nowadays, major automobile manufacturers are constantly improving in terms of precision and quality requirements. Therefore, in the Quality system and management, the Company reinforces the training of quality control personnel and prosecutes the management of suppliers, to assure product quality. Reducing the occurrence of internal defect and complaints from the external customers, it shall stabilize existing customers and establish a long-term good relationship with them.

- B. Improve technical capabilities to meet customer requirements:

Main customers of the Company have been European and American automobile factories, and first-tier system factories for a long time, especially in the parts of electric vehicles, and the precision requirements have been continuously improved. Therefore, the Company has not only upgraded and improved the equipment for production and inspection but also

reinforced the training of operators to meet the needs of customers.

- C. Actively strive for cooperation opportunities with well-known foreign car manufacturers  
The Company continues to strive for more long-term cooperation opportunities with foreign automobile component manufacturers and car manufacturers. With excellent quality and professional research and development technology, the Company seeks strategic alliances and technical cooperation opportunities with major transmission manufacturers, automobile manufacturers and electric vehicle manufacturers.
- D. Promote Productivity 4.0:  
The new Dapumei factory in Chiayi County first promotes the smart manufacturing production model. In addition to purchasing automated and semi-automated machines and advanced inspection equipment, it plans to gradually implement smart automated production and inspection, which will assure quality, reduce labor costs, and improve production efficiency. It will generate a significant effect for optimizing the structure and upgrading of the industry.

## (2) Production and Marketing policy

- A. Strengthen the Company's research and development capabilities, provide customers with collaborative design services, prosecute the current IATF16949 quality certification system, improve business physique, and gradually promote toward Productivity 4.0. Meanwhile, the Company reinforces several quick response mechanisms including Total Quality Management activities (TQM), Lean Manufacturing (TPS), and Quality System Basics (QSB), and focuses on intense contact with customers to improve customer satisfaction.
- B. Implement corporate social responsibility, demonstrate the spirit of sustainable business operations, continue to follow the ISO 14001 and ISO 45001 environmental safety and health certification systems, improve workplace environmental safety and health, and respond to environmental protection, energy conservation and carbon reduction issues, and strengthen the implementation of ISO 14064 greenhouse gas inventory review, ISO 14067 carbon footprint certification.
- C. Based on the global development and trends of electric vehicles and smart driving, with abundant experience and technology, actively strive for relevant types of customers in various regions, design and develop collaboratively with them to expand the market for related components.
- D. To transmission components, differentials, torque conversion systems, planetary gear sets, and other transmission components for existing automobile manufacturers, in addition to continuously improving quality and reducing costs, increasing the Company's competitiveness, and then strive existing customers' orders from different regions in the world to expand the global market.

## (3) Future development strategy:

- A. The development of Taiwan's automobile components is deeply influenced by the foreign automobile industry. From the perspective of the global consumer market, the Company continues to actively expand into the European, American, Chinese, and Emerging markets. However, in terms of energy conservation and carbon reduction, smart cars and electric vehicles are the focus of future vehicle development. Therefore, the Company must actively

strive for customers of related nature for collaborative development and cooperation to create new business opportunities.

- B. Actively strive to cooperate and synchronize research and development with major international automobile manufacturers, transform for producing all-around systematic component assembly, thereby reducing the vicious competition of single-piece parts with simple manufacturing processes, to enhance profitability. It should be helpful for the Company's revenues and profits.
- C. Continue to promote the joint research of high-tech R&D projects with industry, government, academia, and research; also local industry-academic cooperation to cultivate R&D and manufacturing talents. In addition to assisting in industrial upgrading, it can also fuel new R&D and manufacturing for the long term, and support the Company to utilize current patents to high-value-added systematic products.
- D. In line with the government's "Our aircrafts manufactured by our own" policy, the Company has passed the AS 9100 aerospace system certification which officially obtained the entry ticket to participate in the aerospace industry. It is hoped that the Company's core technology of automotive precision manufacturing can also be applied to the aerospace technology field, and adds new elements to the Company's product diversification.

(4) Impacts by the external competition, the legal environment and the overall economics:

- A. As countries are paying close attention to the global greenhouse effect caused by automobile exhaust gas, hybrid and electric vehicle products, new automobile companies have successively entered this market, it is nothing more than to produce environment-friendly vehicles with lower prices and higher quality. Hota industrial manufacturing is a professional manufacturer of transmission parts. In addition to providing technical services closer to customer needs, the Company enhances its competitiveness in the global energy-saving vehicle market and contributes to the automotive industry and the green energy environment.
- B. As the auto market growth rate of China, the world's largest auto market, has declined, and the annual growth rate of the US auto market has also slowed down, the Company must pay close attention to changes in customers and the market. For the global auto parts, related industries intelligence, and domestic and foreign laws and regulations must be continuously collected to cope with future operational risks.

In the end, I would like to express my sincere gratitude to all shareholders for their long-term support and encouragement. Wish all shareholders healthy and everything as your heart wishes.

Chairman of the Board:  
SHENG, KUO-JUNG

President:  
CHEN, CHUN-CHIH

Accounting Supervisor  
CHEN, TAI-LIN



## II. Company Profile

(I) Date of Establishment: January 16, 1973

(II) Company History

Year	Items
1966	<ul style="list-style-type: none"><li>● Ho-Hsing Industrial Co., Ltd., the predecessor of Hota Industrial Mfg. Co., Ltd., was established at Zhengyi St., Taichung City for machining gears and shafts for various machineries, motorcycles, and agricultural equipment.</li></ul>
1973	<ul style="list-style-type: none"><li>● Made expansion with new plant and added equipment, with the floor area at 16,600 meters square. “Hota Industrial Mfg. Co., Ltd.” Was established, with Mr. Tseng, Fu-Zhu as Chairman and registered at a capital of NTD 2 million.</li><li>● Capital of the Company following Capital increase at NTD 13.15 million.</li><li>● New plants put into official production and operation.</li></ul>
1975	<ul style="list-style-type: none"><li>● New office building completed construction and inaugurated.</li><li>● Capital of the Company following Capital increase became NTD 19.15 million.</li><li>● The Company was renamed as “Hota Industrial Development Co., Ltd.” and focused on the development of plants and production of automotive parts.</li></ul>
1977	<ul style="list-style-type: none"><li>● Changed production method into semi-planned production; Capital of the Company following Capital increase became NTD 31 million</li></ul>
1978	<ul style="list-style-type: none"><li>● Advocated the quality management movement and acquired certification as Class A factory for Quality Management.</li></ul>
1979	<ul style="list-style-type: none"><li>● Awarded the title of the first quality assurance demonstration plant of machinery in central Taiwan by Council of Commodity Inspection under Ministry of Economic Affairs (MOEA).</li><li>● Involved in civilian production and supply policy under national defense and industry and started production and manufacturing of military supplies.</li></ul>
1980	<ul style="list-style-type: none"><li>● Awarded again the title of the quality assurance demonstration plant of machinery in central Taiwan by the Bureau of Standards, Metrology &amp; Inspection, MOEA.</li><li>● Initiated precision gear industry development following the national development and machinery industry upgrade policy , with precision gear grinder, spline grinder and other precision machinery and equipment added.</li></ul>
1981	<ul style="list-style-type: none"><li>● Capital of the Company following Capital increase at NTD 37.2 million.</li><li>● Awarded for the third time the title of the quality assurance demonstration plant of machinery in central Taiwan by MOEA.</li></ul>
1982	<ul style="list-style-type: none"><li>● Production of precision gears and shafts for use by machine tools, with gear precision reaching JIS level 1 standards.</li><li>● Signed and entered into a technical cooperation with Nippon Gear Co., Ltd. in Japan.</li><li>● Signed with Mechanical and Systems Research Laboratories under Industrial Technology Research Institute (ITRI) for technical cooperation in developing gear-pitched clutches.</li><li>● Elected as Excellent Quality Plant by the Bureau of Standards, Metrology &amp; Inspection, MOEA.</li><li>● Bank of Communications and China Development and Trust Company made investments to participate in the Company’s operation.</li></ul>
1983	<ul style="list-style-type: none"><li>● Capital of the Company following Capital increase at NTD 95 million.</li></ul>

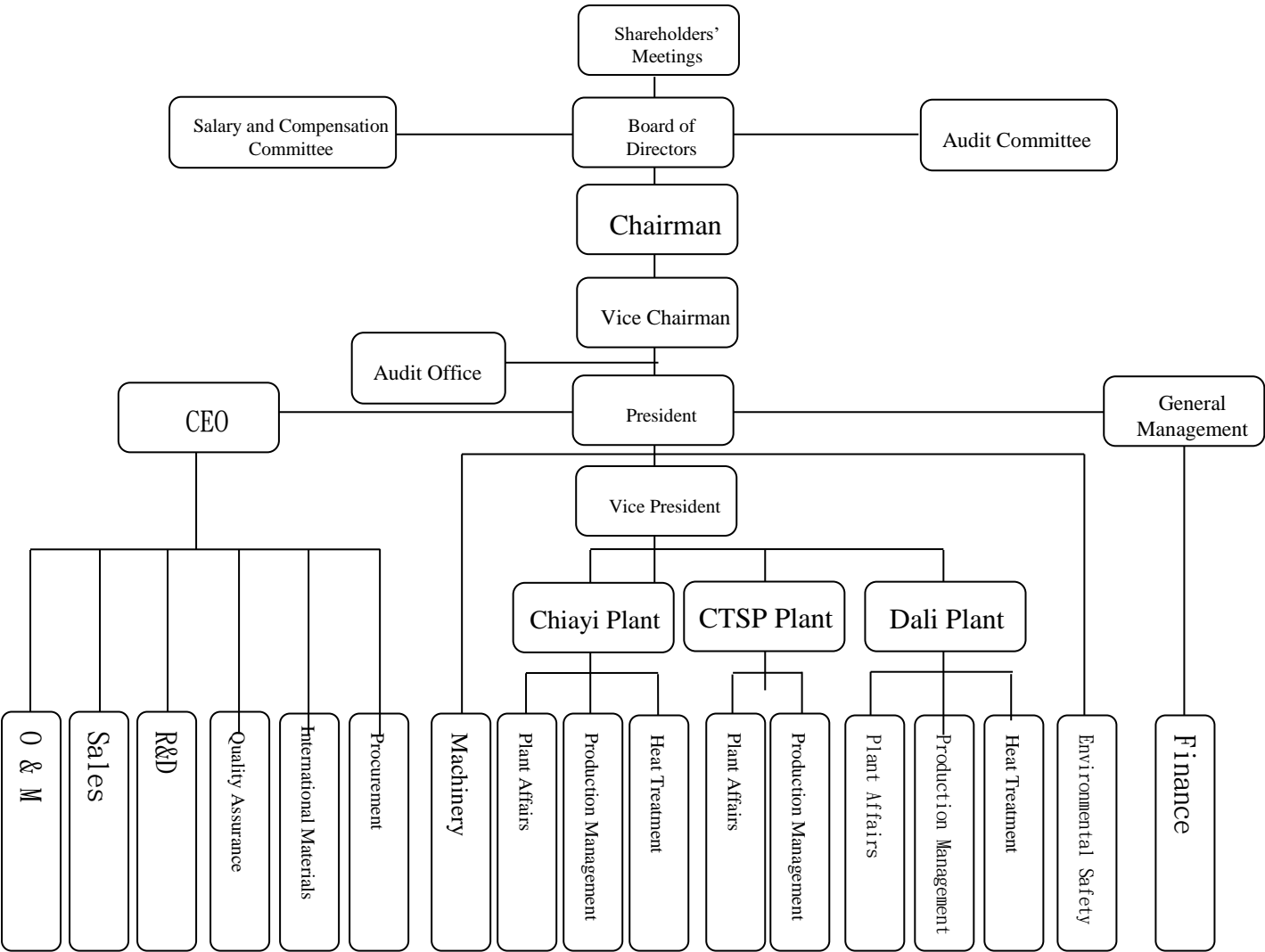
- Developed production and manufacturing of automotive gearbox in response to automobiles localization.
- 1990 ● The Company changed its name to “Hota Industrial Mfg. Co., Ltd.”; Capital of the Company following Capital increase at NTD 165 million.
- 1993 ● Planned new plant construction and started its execution in response to production needs and utilization of land assets.
- 1994 ● Completion of new plants, introduced TPM activities, and promoted all-out total maintenance and 5S organization and reorganization managements.
- Introduced ISO 9000 International Standard Quality system responding to the trend of world quality requirements; proactively conducting relevant operations and establishing systems all over under the consensus of quality maintenance.
- 1995 ● Obtained ISO 9002 certification for quality assurance system accredited by MOEA and British Standard Institution (BSI) and became the first professional gear manufacturer in Taiwan with international quality recognition.
- Granted by the Investment Commission of MoEA to become the first automotive and motorcycle gear manufacturer to set up plants in China.
- 1996 ● Capital reduced by NTD 41.25 million.
- Made a reinvestment to establish “Wuxi Hota Precision Gear Co., Ltd.” in China.
- Made cash capital increase and post-registration for public offering, with capital of the Company following Capital increase at NTD 183.75 million.
- 1997 ● Capital of the Company following Capital increase at NTD 263.75 million.
- In response to production needs and the Company’s utilization of land assets; Planned new plant construction and implementation.
- 1998 ● Obtained QS 9000 certification accredited by MOEA and BSI and became the first qualified professional gear manufacturer in Taiwan recognized by three leading auto makers in the US.
- Capital of the Company following Capital increase is NTD 366.60 million.
- 1999 ● Completion of plant 2, with major purchases of machines and equipment for mass production of automotive parts, enabling the gradual increase in revenue from sales of automotive parts.
- Awarded by SYM Motors for Quality Assurance Vanguard.
- 2000 ● Stock officially listed on Taiwan Stock Exchange (OTC).
- Capital of the Company following Capital increase at NTD 46,5.179 million.
- Established US subsidiary “Hotatech, Inc.”.
- Passed Industrial Technology Development Program by MoEA.
- 2001 ● Stocks of the Company transferred from Taipei Exchange to stock exchange market for exchange.
- Capital of the Company following Capital increase at NTD 51,2.667 million.
- 2002 ● Capital of the Company following Capital increase at NTD 538.3 million.
- 2003 ● Passed ISO14000 Environmental and Occupational Safety and Health Management system verification.
- Passed ISO/TS 16949 quality management system verification.
- Capital of the Company following Capital increase at NTD 58,3.375 million.
- 2004 ● Purchased adjacent lands for plant expansion to three plants.

- Purchased Wanmei Plant on Renhua Rd.
- Capital of the Company following Capital increase at NTD 632.812 million.
- 2005 ● Established Hartech Machinery Co., Ltd. for producing and selling gear making machines, becoming the sole gear-shaving machine manufacturer in Taiwan.
- Capital of the Company following Capital increase at NTD 860.076 million.
- Set up the European business representative for developing the European market.
- 2006 ● Planned office construction at CTSP and its execution in response to production needs.
- 2007 ● Established Hota Industrial Mfg. Co., Ltd. CTSP Branch.
- Awarded GM 2006 Global Best Supplier by GM.
- 2008 ● Established Heat Treatment Plant in response to customer needs and control of product quality.
- 2009 ● Successfully developed first homemade gear hobbling machine in Taiwan.
- Capital of the Company following Capital increase at NTD 1737.714 million.
- 2010 ● Cooperated with notable Belgian transmission manufacturer to enter the Chinese automobile CVT (continuous variable speed) transmission market.
- Capital of the Company following Capital increase at NTD 200,3.103 million.
- 2011 ● Awarded EATON 2011 Asia Pacific Best Supplier.
- 2012 ● Awarded The 20th Taiwan High-quality Goods Award by MOEA.
- Awarded again EATON 2012 Asia Pacific Best Supplier.
- 2013 ● Awarded by AGCO of Best Delivery.
- Capital reduced by NTD 78.9 million.
- Capital of the Company following Capital increase at NTD 2,322.403 million.
- 2014 ● Planned construction of new plants in Dapumei Precision Machinery Park, Chiayi.
- Capital of the Company following Capital increase at NTD 2,322.403 million.
- 2015 ● Awarded “2015 Top 20 Innovative Enterprises in Taiwan” by Industrial Development Bureau, MoEA.
- 2016 ● Established Hota Industrial Mfg. Co., Ltd. Chiayi Branch.
- Capital of the Company following Capital increase at NTD 232,240.3million.
- 2017 ● Awarded Sustainable Development Award in AGCO Chinese Suppliers Convention.
- Capital of the Company following Capital increase at NTD 2,549.565 million.
- 2019 ● Awarded National Industry Innovation Award by the MoEA.
- 2020 ● Cancelled treasury shares at NTD 4.39 million.
- Capital of the Company following Capital increase is NTD 2,795.175 million.

III. Corporate Governance Report

(I) Organization System

1. Organizational Structure



## 2. Main Scope of Affairs for Each Department (Function)

Function	Main Tasks and Responsibilities
Audit Office	<ol style="list-style-type: none"> <li>1. Formulation and conduct of annual audit plans.</li> <li>2. Communications and coordination on rectification suggestions with the department under audit.</li> <li>3. Tracking and secondary review of rectification suggestions.</li> <li>4. Revision suggestions on various operational procedure of Internal Control.</li> </ol>
Finance	<ol style="list-style-type: none"> <li>1. Annual budget planning.</li> <li>2. Preparation of financial reports of each period.</li> <li>3. Drafting and execution of cost control plans.</li> <li>4. Financial management and funds procurement.</li> <li>5. Long/short term investment suggestions and assessment.</li> </ol>
Operating & Management	<ol style="list-style-type: none"> <li>1. Planning and synergy management for various new businesses and projects of the Company.</li> <li>2. Formulation and promotion of business management objectives.</li> <li>3. Planning and conduct of human resource planning and management and personnel appraisal operations.</li> <li>4. Planning and implementation of company education and training.</li> <li>5. Corporate public relations image planning.</li> <li>6. Company general affairs, misc. business matters, and receipt and delivery of documents, files and official documents.</li> <li>7. Administrative procurement, asset management, etc.</li> <li>8. ERP information system management and information workstation hardware maintenance.</li> <li>9. Operation of joint supplier education and training and supplier interaction exchange meeting.</li> </ol>
Environmental Safety	<ol style="list-style-type: none"> <li>1. Access control and management of the Company.</li> <li>2. Environmental (environmental protection) maintenance and planning and ISO14001 implementation management.</li> <li>3. Company Work safety planning and management of the Company.</li> </ol>
Sales	<ol style="list-style-type: none"> <li>1. Responsible for product sales and service.</li> <li>2. Domestic and foreign market development and implementation of marketing plans.</li> <li>3. Planning of marketing strategies for various markets.</li> <li>4. Coordination and handling of customer complaints.</li> </ol>
R&D	<ol style="list-style-type: none"> <li>1. Implementation of R&amp;D plans, quotation and Appraisal of manufacturing procedure and cost for new parts.</li> <li>2. Implementation and tracking management of mass production transfer.</li> <li>3. Drawing technology, equipment, information and drawing management.</li> <li>4. Suggestion and implementation of the annual production technology improvement plan.</li> <li>5. Improvement of production technology and molds and fixtures.</li> <li>6. New product quotation and Appraisal.</li> <li>7. Assistance in contracting, price negotiation and technical guidance.</li> </ol>
International Materials	Responsible for various international procurement matters.
Procurement	<ol style="list-style-type: none"> <li>1. Negotiation on price of outsourcing for external procurement.</li> <li>2. Development of new suppliers.</li> <li>3. Procurement and management of raw materials.</li> <li>4. Review and implementation of raw material purchase costs rationalization.</li> </ol>
Plant Affairs	<ol style="list-style-type: none"> <li>1. Annual production planning and implementation.</li> <li>2. Procedure improvement and environmental maintenance.</li> </ol>
Quality Assurance	<ol style="list-style-type: none"> <li>1. Responsible for product quality control.</li> <li>2. ISO/TS16949 operation execution.</li> <li>3. Handling and countermeasures of customer complaints on quality issues.</li> </ol>
Production Management	<ol style="list-style-type: none"> <li>1. Drafting of production plan and outsourcing management.</li> <li>2. Production control and material management.</li> <li>3. Drafting of annual procurement budget based on production plans.</li> </ol>
Heat Treatment	<ol style="list-style-type: none"> <li>1. Planning and execution of heat treatment engineering and production.</li> <li>2. Design and improvement of heat treatment engineering.</li> </ol>
Machinery	<ol style="list-style-type: none"> <li>1. Design, development and sales of various gear machine tools.</li> <li>2. Design and development of precision measuring instruments.</li> <li>3. New niche product development and design.</li> <li>4. Market research and survey and Appraisal of new niche products.</li> </ol>

## (II) Supervisory Information for Director, Supervisor, President, Vice President, Associate Manager, Departments and Branches

### 1. Director and Supervisor

#### (1) Director and Supervisor Information

As of April 8, 2021

Role (Note1)	Nationality or Country of Incorporation	Name	Gender	Date Elected/Assumed	Terms	Date First Elected (Note 2)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note3)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 4)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
Chairman	Taiwanese (ROC)	Sheng, Kuo-Jung	Male	2020/6/10	3	1990/6/25	3,977,067	1.56	3,957,867	1.42	37,140	0.01	—	—	Honorary Doctorate, IAU INTERNATIONAL AMERICAN UNIVERSITY (US) MBA, the University of Sydney Honorary Doctorate in Management, Chaoyang University of Technology Chairman, Hota Industrial Mfg. Co., Ltd. Chairman, Kao Fong Machinery Co., Ltd. Chairman, Hwa Fong Rubber Ind. Co., Ltd. Chairman, Inalways Corporation	Chairman, Kao Fong Machinery Co., Ltd. Chairman, Hwa Fong Rubber Ind. Co., Ltd. Chairman, Inalways Corporation Managing Director, Taichung International Entertainment Corporation Executive V.P., Taiwan Science Park Association of Science and Industry Senior Advisor to the President, Presidential Office	Legal Representative of Kao Fong Machinery	Sheng, Chien- Chih	Daughter	—
Director	Taiwanese (ROC)	Lin, Yen-Huey	Male	2020/6/10	3	1990/6/25	3,541,292	1.39	3,802,174	1.36	—	—	—	—	Pacific Western University Vice Chairman, Hota Industrial Mfg. Co., Ltd.	Director, World Known MFG (Cayman) Ltd.	Director	Lin, Mei- Yu	Brother	—
Director	Taiwanese (ROC)	Lin, Mei-Yu	Female	2020/6/10	3	1990/6/25	3,192,000	1.25	3,300,000	1.18	—	—	—	—	Junior High School Director, Hota Industrial Mfg. Co., Ltd.	—	Director	Lin, Yen- Huey	Brother	—
Director	Taiwanese (ROC)	Tsai, Yu-Kung	Male	2020/6/10	3	2009/06/16	933,364	0.37	930,000	0.33	—	—	—	—	Department of Machinery, Minghsin Junior Colleges of Technology Director, Hota Industrial Mfg. Co., Ltd.	Responsible Person, Russ Tiger Enterprise Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Huang, Feng- Yih	Male	2020/6/10	3	2005/06/27	1,819,000	0.71	1,968,000	0.70	—	—	—	—	Tainan Vocational High School Director, Hota Industrial Mfg. Co., Ltd. Supervisor, Kao Fong Machinery Co., Ltd. Director, Ying- hui Machine Co., Ltd.	Director, Ying- hui Machine Co., Ltd. Director, Kao Fong Machinery Co., Ltd.	—	—	—	—

Role (Note1)	Nationality or Country of Incorporation	Name	Gender	Date Elected/Assumed	Terms	Date First Elected (Note 2)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note3)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 4)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
Director	Taiwanese (ROC)	Wang, Hui-O	Female	2020/6/10	3	2017/6/14	800,000	0.31	791,272	0.28	31,230	0.01	—	—	Junior High School Responsible Person, Ho-Hsin Industrial Corporation Director, Hota Industrial Mfg. Co., Ltd.	—	—	—	—	—
Director	Taiwanese (ROC)	Central Investment	—	2020/6/10	3	2011/5/30	10,625,475	4.17	11,985,241	4.29	—	—	—	—	—	—	—	—	—	—
		Representative: Chang, Yu-Jeng	Male	2020/6/10	—	2011/5/30	69,152	0.03	74,246	0.03	—	—	—	—	Ph.D. Physics, University of Texas at Austin (US) Director, Hota Industrial Mfg. Co., Ltd. Chairman, Central Motor Co., Ltd. Chairman, Chin Fong Machinery Co., Ltd. Director, Calin Technology Supervisor, Hanlin Brothers Investment Co., Ltd.	Chairman, Chin Fong Machinery Industrial Co., Ltd. Chairman, Central Motor Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, Calin Technology Supervisor, Hanlin Brothers Investment Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Central Investment	—	2020/6/10	3	2011/5/30	10,625,475	4.17	11,985,241	4.29	—	—	—	—	—	—	—	—	—	—
		Representative: Lin, Yue-Hong (Note5)	Male	2020/6/17	—	2020/6/17	302,000	0.12	324,247	0.12	—	—	—	—	Soochow University Vice Chairman, Central Motor Co., Ltd. Director, Chin Fong Machinery Industrial Co., Ltd.	Vice Chairman, Central Motor Co., Ltd. Director, Chin Fong Machinery Industrial Co., Ltd.	—	—	—	—
Director	Taiwanese (ROC)	Kao Fong Machinery	—	2020/6/10	3	2010/6/29	6,581,396	2.59	7,066,239	2.53	—	—	—	—	—	—	—	—	—	—
		Representative: Sheng, Chien-Chih	Female	2020/6/10	—	2010/6/29	100,077	0.04	176,649	0.06	63	—	—	—	Master, Drucker Academy (US) Manager, Dong An Investment Co., Ltd. CEO, Hota Industrial Mfg. Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, World Known MFG (Cayman) Ltd. Independent Director, Orange Electronic Co., Ltd.	Director, Kao Fong Machinery Co., Ltd. Independent Director, Orange Electronic Co., Ltd. Director, World Known MFG (Cayman) Ltd.	Chairman	Sheng, Kuo-Jung	Father	—
Director	Taiwanese (ROC)	Hao-Qing Investment	—	2020/6/10	3	2017/6/14	80,423	0.03	86,347	0.03	—	—	—	—	—	—	—	—	—	—

Role (Note1)	Nationality or Country of Incorporation	Name	Gender	Date Elected/Assumed	Terms	Date First Elected (Note 2)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note3)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 4)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
		Representative: Sun, Yong-Lu	Male	2020/6/10	—	2018/6/13	227,935	0.09	321,726	0.12	—	—	—	—	Master of Management and Development, Feng Chia University Manager of Constructions, Panda Construction Co., Ltd. Manager of Corporate Management, Da- Tun Cable Television Co., Ltd. Supervisor, Dali Farmers' Association, Taichung City	Supervisor, Dali Farmers' Association, Taichung City	—	—	—	—
Independent Director	Taiwanese (ROC)	Chueh, Ming- Fu	Male	2020/6/10	3	2017/6/14	—	—	—	—	—	—	—	—	Doctor of Laws, National Chengchi University Judge, Taiwan High Court of Justice Judge, Taipei High Court of Justice Presiding Judge, Taipei High Administrative Court Vice Chief, Discipline, Executive Yuan Judge, Supreme Administrative Court	Attorney at Law	—	—	—	—
Independent Director	Taiwanese (ROC)	Cheng, Wen- Zheng	Male	2020/6/10	3	2020/6/10	—	—	—	—	—	—	—	—	Master of Management and Development, Feng Chia University Vice President, E-Sun Bank	—	—	—	—	—



Role (Note 1)	Nationality or Country of Incorporation	Name	Gender	Date Elected/Assumed	Terms	Date First Elected (Note 2)	Shares Held When Elect		Current Number of Shares Held		Current Number of Shares Held by Spouse or Under- age Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 3)	Concurrent Roles in the Company and Other Companies	Other Supervisor, Director or Supervisor having a spousal relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note 4)
							Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
Independent Director	Taiwanese (ROC)	Liu, Zheng- Huai	Male	2020/6/10	3	2020/6/10	—	—	—	—	—	—	—	—	Doctor of Business Administration, National Taipei University Project Professor, National Taichung University of Science and Technology Independent Director, Lotus Pharmaceutical. Co. Optical Co., Inc. Arbitrator, Chinese Arbitration Association, Taipei Adjunct Professor, Department of Industrial Engineering and Engineering Management, National Tsinghua University Drafter and Grader, Ministry of Examination Independent Director, Engley Holding (Samoa) Ltd.	Adjunct Professor, Department of Accounting Information, National Taichung University of Science and Technology Director, Taipei Jingwen High School Independent Director, Engley Holding (Samoa) Ltd. Supervisor, Academy of Taiwan Information Systems Research (ATISR) CPA, Hui-Jia CPA Fir,	—	—	—	—
Independent Director	Taiwanese (ROC)	Liao, Shu- Zhong (Note 6)	Male	2019/06/12	3	2019/6/12	—	—	—	—	—	—	—	—	Master, Graduate School of Accounting, National Chengchi University Lecturer of Department of Accounting, Donghai University	Independent Director, WiseChip Semiconductor Inc. Independent Director, H. P. B. Optoelectronics Independent Director, Kao Fong Machinery Co., Ltd. CPA of Chien-Chi CPA and Associates	—	—	—	Independent Director
Independent Director	Taiwanese (ROC)	Huang, Hsien- Chou (Note 6)	Male	2017/06/14	3	2017/6/14	100,277	0.04	100,277	0.04	—	—	—	—	Master of Engineering Management, University of Illinois (US) 2nd National Assembly Representatives 4th Legislators of ROC Lecturer of Department of Civil Engineering, Feng Chia University Lecturer of Department of Business Administration, Donghai University	Chairman, Xue-Shi Development Co., Ltd.	—	—	—	Independent Director

Note 1: Corporate Shareholder Name and representative(s) shall be respectively listed in the Corporate Shareholder column (Corporate Shareholder representative shall contain Corporate Shareholder Name) and shall be listed in the table 1 below.

Note 2: In case there are discontinuation in the periods of first assumption as director or supervisor of the Company, such discontinuation shall be described through notes.

Note 3: In case the individual has taken roles in the CPA firm or related businesses which are related to experiences with the current roles in the above-disclosed period, the role and duties of such office shall be described.

Note 4: In case the Chairman and President or equivalent role (supreme manager) of the Company are taken by the same person or of spousal relationship to each other or of 1<sup>st</sup> degree of kinship, information for reasons, necessity, and countermeasures (e.g., addition in number of independent directors, and a majority of directors shall not hold concurrent roles as an employee or manager, etc.) shall be specified.

Note 5: Central Investment Co., Ltd. has reassigned a new representative Mr. Lin, Yue-Hong on June 17, 2020.

Note 6: Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

(2)Table 1: Main Shareholders of Corporate Shareholder

As of April 8, 2021

Corporate Shareholder Name (Note 1)	Main Shareholders of Corporate Shareholder (Note	Shareholding Ratio(%)
Central Investment Co., Ltd.	Chang, Gui-Fen	30.77%
	Chang, Yu-Jeng	20.92%
	Lin, Yue-Hong	16.23%
	Lin, Yue-Zheng	13.38%
	Hanlin Brothers Investment Co., Ltd.	9.85%
	Chang, Yue-Yun	3.46%
	Chang, Hui-Lien	2.81%
	Lian, Bao-Hua	1.73%
	Chiang, Shan	0.46%
	Lin, Shi-Hsiang	0.26%
Kao Fong Machinery Co., Ltd.	He-Zuan Investment Co., Ltd.	15.28%
	Chien-Zhan Co., Ltd.	9.69%
	Manford Machinery Co., Ltd.	2.31%
	Chuan-Zheng Co., Ltd.	1.95%
	Chuan, Yu-Long	1.72%
	Huang, Feng-Yih	1.49%
	Hao-Qing Investment Ltd.	1.41%
	Sun, Yong-Lu	1.40%
	Chuan, Fu-Mei	1.39%
	Lin, Chun-Hong	1.32%
Hao-Qing Investment Ltd.	Sun, Yung-Cang	43.00%
	Sun, Yong-Lu	43.00%
	Sun, Qing-Shou	14.00%

Note1: Where the Director or Supervisor is of Corporate Shareholder representative shall be appended with Corporate Shareholder Name.

Note2: Please enter the name of the Main Shareholders of Corporate Shareholder (whose shareholding ratio is top 10 of all shareholders) and his/her shareholding ratio. Table 2 shall be entered in additionally in case its shareholder is a juristic person.

Note3: Where the Corporate Shareholder is not a corporate organization, the shareholder's name and his/her shareholding ratio as required to be disclosed above refers to contributor or donor name and his/her contribution or donation ratio.

(3)Table 2: List of Juristic Persons as Main Shareholders

As of April 8, 2021

Corporate Shareholder Name (Note1)	Main Shareholders of Corporate Shareholder (Note2)	Shareholding Ratio(%)
Hanlin Brothers Investment Co., Ltd.	Chiang, Shan	46.26%
	Chang, Yu-Jeng	53.74%
He-Zuan Investment Co., Ltd.	Hota Industrial Mfg. Co., Ltd.	100.00%
Chien-Zhan Co., Ltd.	Wang, Li-Li	72.44%
	Shen, Chien-Yu	17.43%
	Sheng, Chien-Chih	10.13%
Manford Machinery Co., Ltd.	Avemax Machinery Co., Ltd.	16.29%
	Hsieh, Shu-Yen	10.13%
	Hsieh, Xin-Hua	8.54%
	Chang, Su-Zheng	7.98%
	Hsu, Zong-Sheng	5.21%
	Chen, Bi-Yue	4.81%
	Kaotai Machinery Co., Ltd.	4.81%

	Zhan-Hsin Investment Co.,	4.15%
	Hsieh, Zhu-Sheng	3.67%
	TBB Venture Capital Co., Ltd.	2.99%
Chuan-Zheng Co., Ltd.	Wang, Li-Li	98.05%
	Shen, Chien-Yu	1.01%
	Sheng, Chien-Chih	0.94%
Hao-Qing Investment Ltd.	Sun, Yung-Cang	43.00%
	Sun, Yong-Lu	43.00%
	Sun, Qing-Shou	14.00%

Note1: Where a main shareholder as entered in Table 1 is a juristic person, the name of such juristic person shall be entered in.

Note2: Main shareholder's name (whose shareholding ratio is top 10 of all shareholders of the Company), and its shareholding ratio shall be entered.

Note3: Where the Corporate Shareholder is not a corporate organization, the shareholder's name and his/her shareholding ratio as required to be disclosed above refers to contributor or donor name and his/her contribution or donation ratio.

#### (4) Status of Professional Knowledge Equipped and Independence of Directors or Supervisors:

Name (Note1)	Condition	More than five years of working experience and following professional qualifications			Status of Conformity to Independence (Note2)												Number of Public Companies the Director/Supervisor Serves as Independent Director
		Serving as a lecturer or higher hierarchy roles in departments business, legal, accounting or company affairs as required in the public or private university or college	Judge, prosecutor, attorney at law, accountant or other specialized professionals and technician required in Company business with accreditation conferred after passing national examinations	Working Experience Required for business, legal, financial, accounting or company affairs	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman: Sheng, Kuo-Jung		—	—	✓	—	—	—	—	✓	✓	—	✓	✓	—	✓	✓	—
Director: Lin, Yen-Huey		—	—	✓	—	—	—	—	✓	✓	✓	✓	✓	—	✓	✓	—
Director: Lin, Mei-Yu		—	—	✓	✓	✓	—	—	✓	✓	✓	✓	✓	—	✓	✓	—
Director: Huang, Feng-Yih		—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Director: Wang, Hui-O		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Director: Tsai, Yu-Kung		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Director: Central Investment Co., Ltd. Representative: Chang, Yu-Jeng		—	—	✓	✓	—	✓	✓	—	✓	✓	✓	✓	—	✓	✓	—
Director: Central Investment Co., Ltd. Representative: Chang, Tian-Han (Note3)		—	—	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	—	✓	✓	—
Director: Central Investment Co., Ltd. Representative: Lin, Yue-Hong (Note3)		—	—	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	—
Director: Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Director: Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih		—	—	✓	—	—	✓	—	✓	✓	—	✓	✓	—	✓	✓	1
Independent Director: Chueh, Ming-Fu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Independent Director: Cheng, Wen-Zheng		—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Independent Director: Liu, Zheng-Huai		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent Director: Liao, Shu-Zhong (Note 4)		✓	✓	✓	✓	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	3
Independent Director: Huang, Hsien-Chou (Note4)		✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1: Number of columns may be adjusted based on actual figures.

Note 2: In case a director or supervisor meets any of the conditions below within two years prior to election or during the term, please enter "✓" in the blank(s) under each condition code.

- (1) The member is not an employee of the Company or its related enterprise(s).
- (2) The member is not a director or supervisor to the Company or its related enterprises (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (3) Natural person shareholder as a shareholder holding more than 1% of the Company's outstanding shares or top 10 shareholders of the Company who is not the member him/herself or his/her spouse, underage children or holding under the name of others.
- (4) The member is not a manager as stated in (1), or spouse, relatives under 2nd degree of kinship or direct blood relatives under 3rd degree of kinship.
- (5) A director, supervisor or employee as a Corporate Shareholder who does not directly hold more than 5% of the Company's outstanding shares, in top 5 shareholding among all shareholders, or is not designated as a representative to the director or supervisor following paragraph 1 or 2, Article 27 of the Company Act (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (6) A director, supervisor or employee of other companies which does not hold a position as the Company's director or whose majority of shares of voting rights is held by the same person (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (7) Those who are not the Chairman, President or equivalent roles of the company who are the same person or spouse as the Director, Supervisor or employee of another company or institution (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (8) Director, supervisor, manager of shareholders holding more than 5% of the outstanding share of the Company without financial or business dealing with the Company (however, this does not apply to specific companies or institutions who holds more than 20% but less than 50% of the Company's outstanding shares, and to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).

- (9) Professionals of business, legal, accounting and relevant services, sole proprietorships, partnerships, or business owners, partners, directors, supervisors, managers and their spouses of other companies or institutions who are not professionals who does not conduct audits for the Company or its related companies or whose cumulative amount of remuneration in the most recent two years does not exceed NTD 500,000. However, Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act Members shall not apply.
- (10) Does not have spousal relationship or 2<sup>nd</sup> degree of kinship with other directors.
- (11) No occurrence of events as provided in subparagraphs of Article 30 of the Company Act.
- (12) No occurrence of events which the government, juristic person or its representative(s) is elected, as provided in Article 27 of the Company Act.

Note 3: Central Investment Co., Ltd. has reassigned a new representative Mr. Lin, Yue-Hong on June 17, 2020

Note 4: Independent Director: Mr. Liao, Shu-Zhong and Mr. Huang, Hsien-Chou left office on June 10, 2020.

#### (5)The Company's Individual Director on Fulfilling Board of Directors Member Diversification Policy:

To strengthen the Corporate Governance and promote the sound development of the composition and structure of the Board of Directors, the "Corporate Governance Code of Practice" formulated by the Company contains a diversification policy of the Board of Directors members. As per policy: the composition of the Board of Directors shall take into consideration the company operation structure, business development orientation, future development trend and other needs, and shall evaluate various diversified aspects e.g. basic conditions and values (such as gender, age, nationality and culture, etc.), professional background (such as law, accounting, industry, finance, marketing or technology, etc.), professional skills and industry experience, etc., who are generally prepared with the knowledge, skills and accomplishments necessary to perform the duties to achieve the ideal goal of Corporate Governance.

The 11<sup>th</sup> Board of Directors of the Company (re-elected in June 2020) consists of 13 directors, including 10 directors and 3 independent directors. Director members with the role as an employee account for 23% of all director members and 23% of all directors. In addition, most director members have rich experience and expertise in finance, business and management, and can fully assist the company in formulating major policy orientations and responding to market crises. The relevant implementation conditions are as follows:

Diversity Items Director Name	Nationality	Gender	Operation Judgment	Accounting & Finance	Operation Management	Industry Knowledge	Leadership Policy	Crisis Handling
Sheng, Kuo-Jung	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Lin, Yen-Huey	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Huang, Feng-Yih	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Central Investment Co., Ltd. Representative: Chang, Yu-Jeng	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Central Investment Co., Ltd. Representative: Lin, Yue-Hong	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih	Taiwanese (ROC)	Female	✓	✓	✓	✓	✓	✓
Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu	Taiwanese (ROC)	Male	—	✓	✓	✓	—	✓
Tsai, Yu-Kung	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Wang, Hui-O	Taiwanese (ROC)	Female	—	✓	✓	✓	—	✓
Lin, Mei-Yu	Taiwanese (ROC)	Female	—	✓	✓	✓	—	✓
Chueh, Ming-Fu	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Cheng, Wen-Zheng	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓
Liu, Zheng-Huai	Taiwanese (ROC)	Male	✓	✓	✓	✓	✓	✓

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

As of April 8, 2021

Role (Note1)	Name	Gender	Date Elected	Shares Held		Shares Held by Spouse or Underage Children		Shares Held under Name of Other Parties		Main Experience (Education Background) (Note 2)	Concurrent Roles in Other Companies	Manager with Spousal Relationship or 2 <sup>nd</sup> Degree of Kinship			Remarks (Note3)
				Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio			Role	Name	Relationship	
President	Chen, Chun-Chih	Male	1998/9/1	248,165	0.09	—	—	—	—	Vice President, CENDAI INDUSTRIAL CO., LTD. Department of Industrial Engineering, Feng Chia University	Director, Ho-Zhan Investment Co., Ltd. Director, HOWON POWERTRAIN CO., LTD. Director, Ling-Wei Co., Ltd. Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
CEO (Note 4)	Sheng, Chien-Chih	Female	2014/3/1	176,649	0.06	63	—	—	—	Master, Drucker Academy (US) Manager, Dong An Investment Co., Ltd. CEO, Hota Industrial Mfg. Co., Ltd. Director, Kao Fong Machinery Co., Ltd. Director, World Known MFG (Cayman) Ltd. Independent Director of Orange Electronic Co., Ltd.	Director, Kao Fong Machinery Co., Ltd. Independent Director of Orange Electronic Co., Ltd. Director, World Known MFG (Cayman) Ltd.	—	—	—	—
Vice President	Sun, Cheng-Zhi	Male	2017/6/1	11,782	—	—	—	—	—	President, HOWIN PRECISION CO., LTD. College Student Class, ROC Military Academy	Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
Vice President Concurrently Serving as Financial Supervisor	Shen, Shui-Hsiang	Male	1997/1/1	981,277	0.35	1,073	—	—	—	Planning Section Chief, Wei-Li Textile Co., Ltd. Department of Cooperative Business, Wu-Feng Junior College of Business	Director, Wuxi Hota Precision Gear Co., Ltd. Director, HOWIN PRECISION CO., LTD. Supervisor, Ho-Zuan Investment Co., Ltd.	—	—	—	—
Senior Manager	Chen, Tang-Ping	Male	2012/5/14	909	—	—	—	—	—	Department of Machinery, Yunlin Industrial College	Director, Ju-Da Smart Technology Co., Ltd.	—	—	—	—
Senior Manager r	Chang, Ren-You	Male	2016/1/1	—	—	—	—	—	—	Department of Mechanical Engineering, Nankai Junior Colleges of Technology	—	—	—	—	—
Senior Manager	Liu, Jian-Yi	Male	2017/6/1	—	—	—	—	—	—	Junior Colleges of Technology Automation Designer, Tatung Company Department of Machinery, Lunghwa	—	—	—	—	—
Senior Manager	Wu, Zhao-He	Male	2017/6/1	350	—	—	—	—	—	Department of Economics, Tamkang University Section Chief, JOHN-VALVE MFG. FACTORY CO., LTD Sales Engineer, SYRIS Technology Corp	—	—	—	—	—
Accounting Manager	Chen, Tai-Lin	Male	2017/11/10	—	—	—	—	—	—	Master of Accounting, Providence University Manager of Audit, PricewaterhouseCoopers Taiwan	—	—	—	—	—

Note1: Supervisor data of the President, Vice President, Director, and each department (function) and branch, and roles equivalent to President, Vice President or Director shall be included, and, without regards to the roles, be disclosed.

Note2: In case the individual has taken roles in the CPA firm or related businesses which are related to experiences with the current roles in the above-disclosed period, the role and duties of such office shall be described.

Note3: In case the President or equivalent role (supreme manager) and the Chairman of the Company are taken by the same person or of spousal relationship to each other or of 1st degree of kinship, information for reasons, necessity, and countermeasures (e.g., addition in number of independent directors, and a majority of directors shall not hold concurrent roles as an employee or manager, etc.) shall be specified.

Note4: The Company has adopted through resolution by the Board of Directors on September 10, 2020, on the addition of the CEO role, which is served by Vice President Sheng, Chien-Chih, effected on September 17, 2020.

### (III) Remuneration Paid to Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Year

#### 1. General Remuneration for Directors and Independent Directors (Name and remuneration method disclosed respectively)

Unit: NTD Thousand

Role	Name	Directors' Remuneration								Proportion of Total of A, B, C and D to Net Profit after Tax (%) (Note 10)		Relevant Remuneration Claimed by Concurrent Employees								Proportion of Total of A, B, C, D, E, F and G to Net Profit After Tax (%) (Note 10)		Remuneration Claimed from Re-Invested Business of Subsidiary or Parent Company (Note 11)
		Compensation (A) (Note 2)		Pension (B)		Directors' Compensation (C) (Note 3)		Fees for Professional Practice (D) (Note 4)				Salary, Bonus and Special Allowance, etc. (E) (Note 5)		Pension (F)		Employees' Compensation (G) (Note 6)						
		The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	The Company	All Companies included in Financial Report (Note 7)	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All Companies included in Financial Report (Note 7)	
Director	Sheng, Kuo-Jung	—	685	—	—	587	587	120	126	707	1,398	10,289	11,653	342	342	625	—	625	—	11,963	14,018	None
Director	Lin, Yen-Huey	—	545	—	—	587	587	120	126	707	1,258	8,710	9,454	288	288	500	—	500	—	10,205	11,500	None
Director	Lin, Mei-Yu	—	—	—	—	293	293	120	120	413	413	—	—	—	—	—	—	—	—	413	413	None
Director	Huang, Feng-Yih	—	—	—	—	293	293	120	120	413	413	—	—	—	—	—	—	—	—	413	413	None
Director	Wang, Hui-O	—	—	—	—	293	293	120	120	413	413	—	—	—	—	—	—	—	—	413	413	None
Director	Tsai, Yu-Kung	—	—	—	—	293	293	120	120	413	413	—	—	—	—	—	—	—	—	413	413	None
Director	Hao-Qing Investment	—	—	—	—	293	293	—	—	293	293	—	—	—	—	—	—	—	—	293	293	None
	Representative: Sun, Yong-Lu	—	—	—	—	—	—	120	120	120	120	—	—	—	—	—	—	—	—	120	120	None
Director	Central Investment	—	—	—	—	587	587	—	—	587	587	—	—	—	—	—	—	—	—	587	587	None
	Representative: Chang, Yu-Jeng	—	—	—	—	—	—	120	120	120	120	—	—	—	—	—	—	—	—	120	120	None
Director (Note 12)	Central Investment	—	—	—	—	587	587	—	—	587	587	—	—	—	—	—	—	—	—	587	587	None
	Representative: Lin, Yue-Hong	—	—	—	—	—	—	60	60	60	60	—	—	—	—	—	—	—	—	60	60	None
Director (Note 12)	Central Investment	—	—	—	—	587	587	—	—	587	587	—	—	—	—	—	—	—	—	587	587	None
	Representative: Chang, Tian-Han	—	—	—	—	—	—	60	60	60	60	—	—	—	—	—	—	—	—	60	60	None
Director	Kao Fong Machinery	—	—	—	—	293	293	—	—	293	293	—	—	—	—	—	—	—	—	293	293	None
	Representative: Sheng, Chien-Chih	—	—	—	—	—	—	120	120	120	120	2,210	2,210	111	111	200	—	200	—	2,641	2,641	None
Independent Director	Chueh, Ming-Fu	420	420	—	—	—	—	70	70	490	490	—	—	—	—	—	—	—	—	490	490	None
Independent Director	Cheng, Wen-Zheng (Note 13)	200	200	—	—	—	—	40	40	240	240	—	—	—	—	—	—	—	—	240	240	None
Independent Director	Liu, Zheng-Huai (Note 13)	200	200	—	—	—	—	40	40	240	240	—	—	—	—	—	—	—	—	240	240	None
Independent Director	Huang, Hsien-Chou (Note 14)	221	221	—	—	—	—	30	30	251	251	—	—	—	—	—	—	—	—	251	251	None
Independent Director	Liao, Shu-Zhong (Note 14)	221	221	—	—	—	—	30	30	251	251	—	—	—	—	—	—	—	—	251	251	None

- Please elaborate Independent Director remuneration payment policy, system, standard and structure, with relevance of factors concerning duties, risks, time contribution with amount of remuneration paid: The Company's Independent Director remuneration is payable monthly in accordance with "Regulations Governing Management of Directors' Compensation and Remuneration".
- Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year: No such occurrence in the Company.

Table of Remuneration Tiers

Tiers for Payments of Remuneration to Each Director of the Company	Director Name			
	Total Amount of Remuneration For the First Four Items (A+B+C+D)		Total of Remuneration for the First <u>Seven</u> Items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies included in Financial Report (Note 9) H	The Company (Note 8)	All Companies included in Financial Report (Note9) I
Under NTD 1,000,000	Sheng, Kuo-Jung, Lin, Yen-Huey, Lin, Mei-Yu Wang, Hui-O, Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong, Chang, Tian-Han) Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Hsien-Chou, Liao, Shu-Zhong	Lin, Mei-Yu, Wang, Hui-O Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong, Chang, Tian-Han) Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Hsien-Chou, Liao, Shu-Zhong	Lin, Mei-Yu, Wang, Hui-O Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong, Chang, Tian-Han) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Hsien-Chou, Liao, Shu-Zhong	Lin, Mei-Yu, Wang, Hui-O Huang, Feng-Yih, Tsai, Yu-Kung Central Investment Co., Ltd. (Representative: Chang, Yu-Jeng, Lin, Yue-Hong, Chang, Tian-Han) Hao-Qing Investment Ltd. (Representative: Sun, Yong-Lu) Independent Director-Chueh, Ming-Fu, Cheng, Wen-Zheng, Liu, Zheng-Huai, Huang, Hsien-Chou, Liao, Shu-Zhong
NTD 1,000,000 (incl.) ~ NTD 2,000,000 (under)	—	Sheng, Kuo-Jung, Lin, Yen-Huey	—	—
NTD 2,000,000 (incl.) ~ NTD 3,500,000 (under)	—	—	Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih)	Kao Fong Machinery Co., Ltd. (Representative: Sheng, Chien-Chih)
NTD 3,500,000 (incl.) ~ NTD 5,000,000(under)	—	—	—	—
NTD 5,000,000(incl.) ~ NTD 10,000,000(under)	—	—	—	—
NTD 10,000,000 (incl.) ~ NTD 15,000,000 (under)	—	—	Sheng, Kuo-Jung, Lin, Yen-Huey	Sheng, Kuo-Jung, Lin, Yen-Huey
NTD 15,000,000 (incl.) ~ NTD 30,000,000 (under)	—	—	—	—
NTD 30,000,000 (incl.) ~ NTD 50,000,000 (under)	—	—	—	—
NTD 50,000,000 (incl.) ~ NTD 100,000,000 (under)	—	—	—	—
Over NTD 100,000,000	—	—	—	—
Total	—	—	—	—

Note 1: Directors' name shall be entered in separately (Corporate Shareholder Name and representative(s) shall be listed respectively under the Corporate Shareholder), with respective listing as general Director and Independent Director, disclosing various payment amounts in aggregate. In case a director concurrently serves as President or Vice President, the information shall be entered in this Table and the following Table (3-1), or the following Tables (3-2-1) and (3-2-2).

Note 2: Refers to Director's remuneration in the Most Recent Year (incl. Director's salary, duties allowance, service pay, various bonuses, incentives etc.).

Note 3: Refers to entering the amount of Directors' Compensation Amount as distributed by the Board of Directors in the Most Recent Year.

Note 4: Refers to Director's relevant fees for professional practice in the Most Recent Year (incl. travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects). Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration.

Note 5: Refers to claims including salary, duties allowance, service pay, various bonuses, incentives, travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects by the director with concurrent role as an employee (including concurrent role as President, Vice President, other managers and employee, etc.) in the most recent year. In case of provision of houses, cars or other transportations or exclusive expenses, characteristics and costs, rental based on actual amount or at fair value of the market price, fuel expense and other payments of the provided asset shall be disclosed. Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration. In addition, in accordance with salary expense recognized under IFRS 2 "Share-Based Payment", such expense including obtaining of employee stock subscription share certificate, restricted stock awards and participation in cash capital increase for subscription of shares, etc., shall also be recognized as remuneration.

Note 6: Refers to entering amount of Employees' Compensation (incl. stock and cash) as claimed by a concurrent employee (incl. concurrent president, vice president, other manager and employee) in the most recent year, which the amount distributed by the Board of Directors in the most recent year shall be disclosed; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year, with Table 1-3 entered in.

Note 7: Shall disclose the total amount of various remunerations paid to directors by all companies in the consolidated report (incl. the Company)

Note 8: The amounts of various remunerations paid to each director by the Company shall have the name of the director disclosed in the attributed tier.

Note 9: The amounts of various remunerations paid to each director by all companies in the consolidated report (including the Company) shall be disclosed, with names of directors disclosed at attributed tiers.

Note 10: Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 11: a. This column shall contain explicit list the amounts of relevant remunerations claimed by president and vice president of the Company from non-subsidary re-invested business or from the Parent Company. (enter "none" if no such remuneration.)

Note 12: b. In case the Company's director has claimed remunerations relevant to non-subsidary re-invested businesses or the Parent Company, the remuneration relevant to non-subsidary re-invested businesses or the Parent Company claimed by the Director of the Company shall be merged into column I of the Remuneration Tier table, with the column name changed to "Parent Company and All Re-Invested Businesses".

Note 13: c. Remuneration refers to the compensation concerning pay, compensation (incl. employee, director and supervisor compensation) and fees for professional practice claimed by the Company's President and Vice President while serving as director, supervisor or manager of the non-subsidary re-invested businesses or Parent Company.

Note 14: Legal Representative: Central Investment Co., Ltd. Legal Representative Mr. Chang, Tian-Han was replaced by representative Mr. Lin, Yue-Hong on June 17, 2020.

Note 15: Independent Director: Mr. Cheng, Wen-Zheng and Mr. Liu, Zheng-Huai assumed office on June 10, 2020.

Note 16: Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

\* Remuneration details as disclosed in this table contains a different concept as the Income Tax Act and is therefore intended for information disclosure only and does not serve as taxation use.



2. Supervisors' remuneration: not applicable.

3. President and Vice Presidents' remuneration (Name and remuneration disclosed respectively)

Unit: NTD Thousand

Role	Name	Salary (A) (Note2)		Pension (B)		Bonus and Special Allowance, etc. (C) (Note 3)		Amount of Employees’ Compensation (D) (Note 4)				Proportion of total of A, B, C and D to Net Profit After Tax (%) (Note8)		Remuneration Claimed from Re-Invested Business of Subsidiary or Parent Company (Note9)
		The Company	All Companies included in Financial Report (Note5)	The Company	All Companies included in Financial Report (Note5)	The Company	All Companies included in Financial Report (Note 5)	The Company		All Companies included in Financial Report (Note 5)		the Company	All Companies included in Financial Report (Note6)	
								Cash Amount	Stock Amount	cash Amount	Stock Amount			
President	Chen, Chun-Chih	7,737	7,737	235	235	—	—	500	—	500	—	2.96	2.96	None
CEO (Note10)	Sheng, Chien-Chih	2,210	2,210	111	111	—	—	200	—	200	—	0.88	0.88	None
Vice President	Shen, Shui-Hsiang	2,303	2,303	115	115	—	—	150	—	150	—	0.90	0.90	None
Vice President	Sun, Cheng-Zhi	2,050	2,050	105	105	—	—	125	—	125	—	0.80	0.80	None

\* Regardless of the role, where an individual serves as a role equivalent to President, Vice President (e.g. President, CEO, Director, etc.) shall be disclosed.

## Remuneration Tiers

Remuneration Tiers for Payments to Each President and Vice President of the Company	President and Vice President Name	
	The Company (Note 6)	All Companies included in Financial Report (Note 7) E
Under NTD 1,000,000	—	—
NTD 1,000,000(incl.) ~ NTD 2,000,000(under)	—	—
NTD 2,000,000(incl.) ~ NTD 3,500,000(under)	Shen, Shui-Hsiang, Sheng, Chien-Chih, Sun, Cheng-Zhi	Shen, Shui-Hsiang, Sheng, Chien-Chih, Sun, Cheng-Zhi
NTD 3,500,000(incl.) ~ NTD 5,000,000(under)	—	—
NTD 5,000,000(incl.) ~ NTD 10,000,000(under)	Chen, Chun-Chih	Chen, Chun-Chih
NTD 10,000,000(incl.) ~ NTD 15,000,000(under)	—	—
NTD 15,000,000(incl.) ~ NTD 30,000,000(under)	—	—
NTD 30,000,000(incl.) ~ NTD 50,000,000(under)	—	—
NTD 50,000,000(incl.) ~ NTD 100,000,000(under)	—	—
Over NTD 100,000,000	—	—
Total	—	—

Note 1: Name of each president and vice president shall be entered in separately, disclosing various payment amounts in aggregate. In case a director concurrently serves as President or Vice President, the information shall be entered in this Table and the above Table (1-1), or Tables (1-2-1) and (1-2-2)

Note 2: Refers to entering in President and Vice President's salary, duties allowance, service pay, etc. in the most recent year.

Note 3: Refers to claims including salary, duties allowance, service pay, various bonuses, incentives, travel expense, special allowance, various subsidies, dormitory, car and other provision of physical objects by the director with concurrent role as an employee (including concurrent role as President, Vice President, other managers and employee, etc.) in the most recent year. In case of provision of houses, cars or other transportations or exclusive expenses, characteristics and costs, rental based on actual amount or at fair value of the market price, fuel expense and other payments of the provided asset shall be disclosed. Where a driver is assigned, please append a note explaining the relevant compensation paid to the driver by the Company, without recognition as remuneration. In addition, in accordance with salary expense recognized under IFRS 2 "Share-Based Payment", such expense including obtaining of employee stock subscription share certificate, restricted stock awards and participation in cash capital increase for subscription of shares, etc., shall also be recognized as remuneration.

Note 4: Refers to entering amount of Employees' Compensation (incl. stock and cash) distributed to President and Vice President by the Board of Directors in the most recent year; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year, with Table 1-3 entered in. Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 5: The amounts of various remunerations paid to each president and vice president by all companies in the consolidated report (including the Company) shall be disclosed.

Note 6: The amounts of various remunerations paid to each president and vice president by the Company shall have the names of the presidents and vice presidents disclosed in the attributed tier.

Note 7: The amounts of various remunerations paid to each president and vice president by all companies in the consolidated report (incl. the Company) shall be disclosed, with the names of the presidents and vice presidents disclosed in the attributed tiers.

Note 8: Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year.

Note 9: a. This column shall contain explicit list the amounts of relevant remunerations claimed by president and vice president of the Company from non-subsiary re-invested business or from the Parent Company. (enter "none" if no such remuneration.)

b. In case the Company's director has claimed remunerations relevant to non-subsiary re-invested businesses or the Parent Company, the remuneration relevant to non-subsiary re-invested businesses or the Parent Company claimed by the Director of the Company shall be merged into column E of the Remuneration Tier table, with the column name changed to "Parent Company and All Re-Invested Businesses".

c. Remuneration refers to the compensation concerning pay, compensation (incl. employee, director and supervisor compensation) and fees for professional practice claimed by the Company's President and Vice President while serving as director, supervisor or manager of the non-subsiary re-invested businesses or Parent Company.

Note 10: The Company has adopted through resolution by the Board of Directors on September 10, 2020, on the addition of the CEO role, which is served by Vice President Sheng, Chien-Chih, effected on September 17, 2020.

\* Remuneration details as disclosed in this table contains a different concept as the Income Tax Act and is therefore intended for information disclosure only and does not serve as taxation use.

4. Analysis on proportion of the total remuneration paid to the Company's director, supervisor, president and vice president by the Company and all companies in the consolidated financial statements in the most recent two years to net profit after tax, and explanations on the remuneration payment policy, standard and combination, and the relevance of Procedure for Determining Remunerations and business performance.

- (1) Analysis on proportion of the total remuneration paid to the Company's director, supervisor, president and vice president by the Company and all companies in the consolidated financial statements in the most recent two years to net profit after tax

Tear	Total Amount of Director, President and Vice President Remuneration (NTD Thousand)		Proportion of Total to Net Profit After Tax ( % )	
	The Company	All Companies in the Consolidated Report	The Company	All Companies in the Consolidated Report
2020	45,309	49,243	15.84	17.21
2019	59,354	63,141	9.14	9.73

- (2) The Company's remuneration payment policy, standard and combination, and the relevance of procedure for determining remunerations to business performance and future risks

A. Remuneration payment policy, standard and combination

The Company conducts payments of Director remuneration in accordance with "Articles of Incorporation" and "Regulations Governing Management of Directors' Compensation and Remuneration", which can be divided into three categories: Directors' Remuneration, Fees for Professional Practice and Directors' Compensation; the President and vice president's remuneration paid by the Company can be divided into three categories: salary, bonus and Employees' Compensation, approved by the Chairman under authorization by the Board of Directors in accordance with the relevant salary audit regulations of the Company.

B. Procedure for Determining Remunerations

As per provision in the Articles of Incorporation of the Company, if there is a profit, no less than 5% shall be set aside as Employees' Compensation, which the Board of Directors shall decide to distribute it by stock or cash to subjects including the employees of the controlling or subordinate company meeting certain specific conditions, with "certain specific conditions" set by the Board of Directors.

The Company may, based on the amount of the said profit, have the Board of Directors adopt a distribution of no more than 5% as Directors' Compensation.

The distribution of Employees' Compensation and Directors' Compensation shall be reported to the shareholders meeting.

C. Relevance to Management Performance and Future Risks

The performance appraisal and salary and remuneration for the Company's Director and managers are, in addition to reference to the general levels of peers, taking into consideration the operation results and their contribution to the Company's performance, with comprehensive consideration of the amount of salary and remuneration, payment methods and the Company's future risks, etc. which are highly relevant to the Company's operating responsibilities and overall performance.

Name of Managers Conducting Distribution of Employees' Compensation and Distribution Status

	Role	Name	Stock Amount	Cash Amount	Total	Proportion of Total to Net Profit After Tax ( % )
Managers	President	Chen, Chun-Chih	—	2,865	2,865	0.44
	CEO	Sheng, Chien-Chih				
	Vice President	Shen, Shui-Hsiang				
	Vice President	Sun, Cheng-Zhi				
	Senior Manager	Chen, Tang-Ping				
	Senior Manager	Chang, Ren-You				
	Senior Manager	Liu, Jian-Yi				
	Senior Manager	Wu, Zhao-He				
	Accounting Department Supervisor	Chen, Tai-Lin				

Note 1: Name and role of individual shall be disclosed; however, the profit distribution may be disclosed in aggregate.

Note 2: Refers to entering amount of Employees' Compensation (incl. stock and cash) distributed to President and Vice President by the Board of Directors in the most recent year; where the amount cannot be forecasted, the amount intended to be distributed in the current year shall be calculated in proportion to the actual distribution in the preceding year. Net Profit After Tax refers to Net Profit After Tax in the Most Recent Year; where IFRS is adopted, Net Profit After Tax refers to Net Profit After Tax as disclosed in the parent-company only or individual financial reports in the most recent year..

Note 3: Scope of Application for Managers: as per 27 March 2003 Letter No. Taiwan-Financial-Exchange 0920001301, the scope is as follows:

- (1) President and roles of equivalent hierarchy
- (2) Vice President and roles of equivalent hierarchy
- (3) Director and roles of equivalent hierarchy
- (4) Financial Department Supervisor
- (5) Accounting Department Supervisor
- (6) Other individuals having rights to manage affairs and sign for the Company.

Note 4: Where the director, president and vice president claims Employees' Compensation (incl. stock and cash), this Table shall be entered in, in addition to the appended Table 1-2.

#### (IV) Corporate Governance Operation Status

##### 1. Board of Directors Operation Status:

In 2020, a total of 7 Board of Directors meetings were convened, with attendance by Directors as follows:

Role	Name (Note 1)	Number of Actual Presence (Attendance) B	Number of Delegated Presence	Actual Presence (Attendance) Rate (%) [B/A] (Note 2)	Remarks
Chairman	Sheng, Kuo-Jung	7	0	100%	Re-elected
Director	Lin, Yen-Huey	7	0	100%	Re-elected
Director	Lin, Mei-Yu	7	0	100%	Re-elected
Director	Huang, Feng-Yih	7	0	100%	Re-elected
Director	Kao Fong Machinery Co., Ltd. Representative: Sheng, Chien-Chih	5	2	71%	Re-elected
Director	Central Investment Co., Ltd. Representative: Chang, Yu-Jeng	6	1	86%	Re-elected
Director	Central Investment Co., Ltd. Representative: Chang, Tian-Han	4	0	100%	(Note 3)
Director	Central Investment Co., Ltd. Representative: Lin, Yue-Hong	3	0	100%	(Note 3)
Director	Hao-Qing Investment Ltd. Representative: Sun, Yong-Lu	7	0	100%	Re-elected
Director	Wang, Hui-O	6	1	86%	Re-elected
Director	Tsai, Yu-Kung	7	0	100%	Re-elected
Independent Director	Chueh, Ming-Fu	4	3	57%	Re-elected
Independent Director	Cheng, Wen-Zheng	4	0	100%	new (Note 4)
Independent Director	Liu, Zheng-Huai	4	0	100%	New (Note 4)
Independent Director	Liao, Shu-Zhong	3	0	100%	Incumbent (Note 5)
Independent Director	Huang, Hsien-Chou	3	0	100%	Incumbent (Note 5)

Note 1: Where a director or Supervisor is of juristic person, the corporate shareholder's name and its representative(s) name(s) shall be disclosed.

Note 2: (1) Where there is a director or supervisor resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

(2) Where there is a by-election of director or supervisor prior to the end of a year, the names of new and incumbent directors and supervisors shall be listed, with status of such director or supervisor (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

Note 3: Legal Representative: Central Investment Co., Ltd. Legal Representative Mr. Chang, Tian-Han was replaced by representative Mr. Lin, Yue-Hong on June 17, 2020.

Note 4: Independent Director: Mr. Cheng, Wen-Zheng and Mr. Liu, Zheng-Huai assumed office on June 10, 2020.

Note 5: Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

Other Matters Deserving Special Mentions:

- (1) Where there is any of the following situations throughout the operation of Board of Directors, the date, period, content of proposal, opinions by all independent director and the Company's handling of independent director opinions should be stated:

A. Matters as provided in Article 14-3 of the Securities and Exchange Act:

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2020/03/19	1. To Review the List of Candidates for Directors of the Company.	No Opinion	Passed as Proposed
	2. Removal on Con-Competing Limitations to the Company's Directors.	No Opinion	Passed as Proposed
	3. To make loan of funds and refunding to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.	No Opinion	Passed as Proposed
2020/03/26	Proposal of Buyback of the Company's Shares for Maintenance of Company Credit and Shareholders' Equity.	No Opinion	Passed as Proposed
2020/08/13	1. To conduct the Company's 3rd Cancellation on Buyback of Treasury Shares and Setting of Record Dates for Decrease of Capital.	No Opinion	Passed as Proposed
	2. to Change the CPA for Auditing and Attesting for the Company.	No Opinion	Passed as Proposed
	3. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD..	No Opinion	Passed as Proposed
	4. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD..	No Opinion	Passed as Proposed
2020/09/10	1. To Ratify Applications of Offering Endorsement and Guarantee to the Company's Subsidiary Wuxi Hota Precision Gear Co., Ltd.	No Opinion	Passed as Proposed
	2. To conduct New Share Issuance through Cash Capital Increase in 2020.	No Opinion	Passed as Proposed
2020/11/12	1. To evaluate the Independence of CPAs of the Company.	No Opinion	Passed as Proposed
	2. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd..	No Opinion	Passed as Proposed
	3. To conduct joint construction and development of lands in Chiayi Dapumei Precision Park with Kao Fong Machinery Co., Ltd.	No Opinion	Passed as Proposed

- B. Other Board of Directors resolutions that have been opposed or qualified by the Independent Director and have records or written statements, in addition to the above-mentioned affairs:  
None.

- (2) The director's implementation of the proposal with respect to interest should state the Director Name, Content of Proposal, the reason for the avoidance of interest and the status of participation in voting: None.
- (3) A Public/Listed Company shall disclose information such as Appraisal Interval and Period, Scope of Appraisal, Method and Appraisal Contents, etc. of the Board of Directors' self (or peer) Appraisal and fill in Implementation Status on Appraisal of Board of Directors.

**Implementation Status on Appraisal of Board of Directors**

Appraisal Interval (Note 1)	Appraisal Period (Note 2)	Scope of Appraisal (Note 3)	Appraisal Method (Note 4)	Appraisal Contents (Note 5)
Conducted once every year	2020/6/10-2020/12/31 (2020/6/10 By-election of Director)	All Board of Directors	Board of Directors Internal Self Appraisal	A. Level of Involvement to the Company's Operations B. Facilitating Decision-Making Quality by the Board of Directors C. Composition and Structure of the Board of Directors D. Elections and Continued Training of Director E. Internal Control
Conducted once every year	2020/6/10-2020/12/31 (2020/6/10 By-election of Director)	Each Director member	Self-Appraisals by Directors	A. Holding of Company Goals and Missions B. Recognition of Directors' Duties C. Level of Involvement to the Company's Operations D. Internal Relationship Management and Communications E. Directors' Professional and Continuing Training F. Internal Control

Note 1: Only list the implementation interval for appraisals by the Board of Directors.

Note 2: Only list the period covered by Board of Directors appraisals

Note 3: Scope of Appraisal include Board of Directors, each Director member and performance appraisal by functional committee.

Note 4: The appraisal methods include Board of Directors Internal Self Appraisal, Director member self-appraisal, peer appraisal and performance appraisal by entrusted external professional institution, experts or other methods as Fair.

Note 5: Appraisal Contents shall at least, based on scope of appraisal, include the following items:

- (1) Board of Directors performance appraisal: shall at least include Level of Involvement to the Company's Operations, Decision-Making Quality by the Board of Directors, Composition and Structure of the Board of Directors, Elections and Continued Training of Director, Internal Control, etc.
  - (2) Each Director member performance appraisal: shall at least include Holding of Company Goals and Missions, Recognition of Directors' Duties, Level of Involvement to the Company's Operations, Internal Relationship Management and Communications, Directors' Professional and Continuing Training, Internal Control, etc.
  - (3) functional committee performance appraisal: Level of Involvement to the Company's Operations, Recognition of Directors' Duties, Decision-Making Quality by the functional committee, functional committee composition and member selection, Internal Control, etc.
- (4) Goals and implementation assessment for strengthening of the Board of Directors function in the current year and in the most recent year:
- A. Operations for strengthening Board of Directors Functions: the Company's Board of Directors are handled in accordance with "Rules of Procedure for the Board of Directors Meetings", with Directors' attendance at Board of Directors meetings entered in MOPS; in addition, to fulfill the spirit of Corporate Governance and effectively enhance information transparency, we fully disclose various management and financial messages to the Company website. Besides, we encourage our directors to participate in various training courses to strengthen Board of Directors functions.
  - B. Enhancement in information transparency, etc.: the Company's financial reports are audited and attested regularly by PricewaterhouseCoopers Taiwan under commission, which the various information disclosures as required by laws and regulations can be completed correctly in a timely manner. In addition, dedicated personnel have been designated to take responsibility of company information collection and disclosure tasks, while establishing a spokesman system, to ensure various material information can be disclosed in a timely and Fair manner.

## 2. Audit Committee Operation Status:

The Company has established its Audit Committee to replace supervisors in accordance with the Securities and Exchange Act on June 14, 2017. To fulfill the spirit of Corporate Governance, the Committee operates in accordance with the "Audit Committee Organizational Rules" and supervises the fair presentation of the Company's financial statements, selection and independence and performance of CPAs, the effective implementation of internal control, compliance with relevant laws and regulations and the control of the Company's existing or potential risks.

(1) In 2020, a total of 5 Audit Committee meetings were held, with attendance by independent directors as follows:

Role	Name	Actual Number of Attendance (B)	Number of Delegated Presence	Actual Attendance Rate (%) (B/A) (Note 1)	Remarks
Independent Director	Chueh, Ming-Fu	3	2	60%	Re-elected
Independent Director	Cheng, Wen-Zheng	3	0	100%	New (Note 2)
Independent Director	Liu, Zheng-Huai	3	0	100%	New (Note 2)
Independent Director	Liao, Shu-Zhong	2	0	100%	Incumbent (Note 3)
Independent Director	Huang, Hsien-Chou	2	0	100%	Incumbent (Note 3)

Note 1:

\* Where there is an independent director resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

\* Where there is a by-election of director or supervisor prior to the end of a year, the names of new and incumbent directors and supervisors year shall be listed, with status of such director or supervisor (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Board of Directors meetings held during his/her term and number of his/her Actual Presence (Attendance).

Note 2: Independent Director: Mr. Cheng, Wen-Zheng and Mr. Liu, Zheng-Huai assumed office on June 10, 2020.

Note 3: Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

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

- Fair Presentation of the Company's Financial Reports.
- Selection (Dismissal) and Independence and Performance of the CPA.
- Effective Enforcement of the Company's Internal Control.
- The Company's Compliance with Relevant Laws and Regulations and Rules.
- Control Mechanism to the Existing or Potential Risk of the Company.

Matters Worth Special Mentions:

## (1) Annual Operation Status:

A. Matters as Stated in Article 14-5 of the Securities and Exchange Act:

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2020/03/19	1. To Review 2019 Business Report, Parent-Company Only Financial Report and Consolidated Financial Report. 2. To Present 2019 Internal Control System Statement. 3. To Amend Partial Articles of the Company's "Articles of Incorporation". 4. To Amend Partial Articles of the Company's "Regulations Governing Appointment of Independent Directors and Compliance Matters". 5. To Promulgate the Company's "Operation Regulations Governing Financial Report Preparation Process Management". 6. To make loan of funds and refunding to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.	No Opinion	Passed as Proposed
2020/05/14	To review the 2020 Consolidated Financial Report of Q1 2020.	No Opinion	Passed as Proposed

2020/08/13	<ol style="list-style-type: none"> <li>1. To elect the convener and meeting chair for the Company's 2<sup>nd</sup> Audit Committee.</li> <li>2. To review the 2020 Consolidated Financial Report of Q2 2020.</li> <li>3. Replacement of Auditing and CPA.</li> <li>4. To Promulgate the Company's "Implementation Procedure for Buyback of Treasury Shares".</li> <li>5. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.</li> <li>6. To make loan of funds and refunding to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.</li> <li>7. To amend partial articles of Rules of Procedure for the Board of Directors Meetings</li> <li>8. To Amend Partial Articles of the Company's "Audit Committee Organic Regulations".</li> <li>9. To Amend Partial Articles of the Company's "Salary and Compensation Committee Organic Regulations".</li> <li>10. To amend partial articles of Operation Procedure for Loaning of Funds to Others</li> </ol>	No Opinion	Passed as Proposed
2020/09/10	<ol style="list-style-type: none"> <li>1. To Ratify Applications of Offering Endorsement and Guarantee to the Company's Subsidiary Wuxi Hota Precision Gear Co., Ltd.</li> <li>2. To conduct New Share Issuance through Cash Capital Increase in 2020.</li> </ol>	No Opinion	Passed as Proposed
2020/11/12	<ol style="list-style-type: none"> <li>1. To review the Consolidated Financial Report of Q3 2020.</li> <li>2. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd.</li> <li>3. To conduct joint construction and development of lands in Chiayi Dapumei Precision Park with Kao Fong Machinery Co., Ltd.</li> </ol>	No Opinion	Passed as Proposed

B. Matters as stated in Article 14-4 of the Securities and Exchange Act and other matters not approved by the Audit Committee but adopted by resolution by two-third of all directors: None.

- (2) Implementation Status of Recusal of Proposals with Interests by Independent Director: None.
- (3) Communications of Independent Director with internal audit supervisor and accountants:
  - A. The audit supervisor regularly reports on the audit business in each Audit Committee, and implementation status and effects of audit affairs have been fully communicated.
  - B. The accountant reports on the examination or audit results of the Company's financial statements in the Audit Committee meetings held every quarterly.



### 3. Corporate Governance Operation Status and its Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
1. Has the Company formulated and disclosed the Corporate Governance Code of Practice in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has referred to "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" for stipulation of "Code of Corporate Governance Practices" for the Company, with public announcement made on MOPS and disclosure on the Company website.	No material disparity.
2. Shareholding structure and shareholders' equity of the Company				
(1) Has the Company formulated internal operational procedures to handle shareholder suggestions, doubts, disputes and litigation matters, and implement them in accordance with the procedures?	✓		(1) The Company has a Spokesperson system in the "Operational Procedure for Internal Material Information Handling", with Spokesperson and Acting Spokesperson furnished for proper handling of investor suggestions or disputes and other related issues.	(1) No material disparity.
(2) Has the Company had a list of main shareholders with de facto control over the Company and the ultimate controller of main shareholders?	✓		(2) The Company has stock affairs undertaking staff responsible for handling related affairs, in addition, through stock affairs agencies and regular insider's equity changes declarations, the list of major shareholders is under control in an effective manner.	(2) No material disparity.
(3) Has the Company established and implemented risk control and firewall mechanisms between the Company and its related companies?	✓		(3) The Company has a clear division of management duties with its related companies and has promulgated "Regulations Governing Dealings with Related Parties" and "Operational Regulations for Monitoring on Subsidiaries" to fulfill the risk control mechanism over subsidiaries.	(3) No material disparity.
(4) Has the Company set internal regulations to prohibit insiders from exploiting undisclosed information on the market to trade securities?	✓		(4) The Company has promulgated "Operational Procedure for Internal Material Information Handling" for irregular advocacy on relevant information to the internal every year.	(4) No material disparity.
3. Composition and Duties of the Board of Directors				
(1) Has the Board of Directors formulated and implemented a member diversification guideline?	✓		(1) The Company has provided the diversification guidelines of Board of Directors member organizations in "Code of Corporate Governance Practices" and put such guideline into implementation.	(1) No material disparity.
(2) In addition to establishment of Salary and Compensation Committee and Audit Committee pursuant to relevant laws and regulations, has the Company voluntarily established other various functional committees?		✓	(2) The Company has established a Salary and Compensation Committee and Audit Committee pursuant to relevant laws and regulations. The Company will set up various other functional committees according to laws and regulations or practical needs in the future.	(2) Functional committee will be established based on the Company's actual operation needs.
(3) Has the Company formulated Regulations Governing Performance Appraisals on the Board of Directors and its Appraisal Method, conducted performance appraisal on a regular basis every year, and reported the results of the performance appraisal to the Board of Directors, followed by application as reference of individual directors' salary and continued nomination?	✓		(3) The Company has promulgated Regulations Governing Performance Appraisals on the Board of Directors and its Appraisal Method, and the Company complies with Regulations Governing Performance Appraisals on the Board of Directors and has conducted 2020 Board of Directors performance appraisal over the Salary and Compensation Committee and Board of Directors on Director's compliance with relevant laws and regulations and the degree of participation in the Company's operations on March 19, 2021.	(3) No material disparity.
(4) Has the Company regularly assessed CPA independence?	✓		(4) The Company regularly reviews the independence of CPA annually (the most recent assessment is at the Board of Directors on November 12, 2020) to examine the payment of salary from the Company's director, shareholder or the Company, and confirm that there is no related interest. In addition, the rotation of accountants is also conducted in accordance with relevant regulations (Note 2).	(4) No material disparity.
4. Has the Listed/OTC Company have a suitable and appropriate number of Corporate Governance personnel, and has designated a Corporate Governance director be responsible for Corporate Governance related matters (including but not limited to providing directors and supervisors with the necessary information for business practices, assisting directors and supervisors in compliance with laws and regulations, handling relevant Board of Directors and shareholder meeting matters in accordance with laws and regulations, preparing Board of Directors and shareholder meeting minutes, etc.)?	✓		The Company has provided that the financial department serve as a part-time unit of Corporate Governance in the "Code of Corporate Governance Practices", responsible for the related Corporate Governance affairs, with the head of the financial department designated to be responsible for supervision. It is advisable that the above-mentioned Corporate Governance affairs contain the following content: Handling Company registrations and change registrations, handling related Board of Directors and shareholders meeting matters in accordance with laws and regulations, and assisting the Company in compliance with relevant laws and regulations for Board of Directors and the shareholders meeting, preparing minutes for Board of Directors meetings and shareholders meetings, providing information required to perform business and the latest development of laws and regulations relevant to operating the Company to directors in order to assist directors and supervisors in compliance with laws and regulations, matters related to investor relations, and other matters effected in Articles of Incorporation or contracts.	No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and set up a special section for stakeholders on the Company's website, and appropriately responded to the important corporate and social responsibility issues concerned by stakeholders?	✓		The Company has designated Spokesperson, Acting Spokesperson and stock affairs underwriters, and has set up a Stakeholder section on the Company's website for disclosure of contact info (04-25692299 Ext. 1234) and e-mail (sales@hota.com.tw) to establish communication channels with stakeholders.	No material disparity.
6. Has the Company appointed a professional stock affairs agency to handle the affairs of the shareholders meeting?	✓		The Company has appointed the Agency for Stock Affairs, MasterLink Securities Co., Ltd. to handle relevant stock affairs and shareholders' meeting affairs.	No material disparity.
7. Information Announcement				
(1) Has the Company set up a website to disclose financial business and corporate governance information?	✓		(1) The Company has set up a website <a href="http://www.hota.com.tw">http://www.hota.com.tw</a> and disclosed financial affairs and corporate governance information.	(1) No Material Disparity.
(2) Has the Company adopted other information disclosure methods (e.g., setting up an English website, appointing designated personnel to collect and disclose company information, implementing the Spokesperson system, and uploading the process of institutional investor conference over company website, etc.)?	✓		(2) The Company's relevant information disclosure and collection are all made by a designated person, and the Spokesperson system has been set up and implemented. In addition, the process and information of the institution investor conference have been placed on the Company's website.	(2) No Material Disparity.
(3) Has the Company announced and submitted the annual Financial Report within two months after the end of an accounting year, and made early announcements and submission of the Financial Report for the quarters 1, 2 and 3 and operations in each month before the specified deadline?	✓		(3) The Company has made early announcements and declarations of the of the Financial Report for the quarters 1, 2 and 3 and operations in each month before the specified deadline. However, the annual Financial Report was announced within two months after the end of the accounting year. The Company will finish the preparation early prior to the legal deadline.	(3) All are in compliance, except for the annual financial report.
8. Has the Company provided other important information helpful in understand the Corporate Governance Operation Status (including but not limited to employees' rights, employee care, investor relations, supplier relations, stakeholders' rights, directors and supervisors training, implementation of risk management policies and risk measurement standards, implementation of customer policies, the Company's insuring of liability insurance for directors and supervisors, etc.)?	✓		(1) Employees Rights: The system adopted by the Company for the rights of employees is governed by laws and regulations and detailed in the "Working Rules" and related management regulations. The rights and obligations of employees and related benefits are specified, and related benefit contents are reviewed and revised regularly to protect the rights of all employees.	(1) No Material Disparity.
	✓		(2) Employee Care: The Company has established an Employee Welfare Committee to provide complete care and guarantees to the employees, including weddings, funerals and festival grants, regular health check-ups, travel subsidies, external training subsidies, employee group insurance, employees' compensation under annual performance appraisal, and year-end bonuses.	(2) No Material Disparity.
	✓		(3) Investor Relations: The Company has designated a dedicated employee to take responsibilities of the disclosure of information on MOPS and the Company's website, and has set a shareholder Q&A window and Spokesperson contact information on the Company's website to maintain communication and rapport between the Company and shareholders	(3) No Material Disparity.
	✓		(4) . Supplier Relations: The Company has established "Regulations Governing Supplier Management and Evaluation" to ensure that the delivery date, quality and price of suppliers meet the Company's needs; in addition, the supplier mutual aid exchange gathering was established, with talent training center established in 2017, to handle joint supplier education training and regularly organized supplier exchange activities for benign communication and partnership.	(4) No Material Disparity.
	✓		(5) Stakeholders' Rights: The Company respects and safeguards the legitimate rights and interests of stakeholders, and maintains good communication channels and relationships with shareholders, employees, customers and suppliers; in addition, the Company website has contained a " "Investor Relations" section, which discloses the Company's financial, business and other related information, with links to "MOPS" for reference by shareholders and other stakeholders. In addition, the Company's stock agency also assists in handling affairs related to shareholders and other stakeholders. In case legal issues are involved, the Company will hire legal consultants for handling to protect the rights of stakeholders.	(5) No Material Disparity.
	✓		(6) Directors Training: The Company entrusts the Taiwan Corporate Governance Association to conduct professional training courses for directors (6 hours in total): 1. 2020/8/13 Course Name: "Corporate Governance Practice and Governance Evaluation Correspondence and Application" 3 hour	(6) No Material Disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
	√		2. 2020/11/12 Course Name: "Practice of Board of Directors and Shareholders Meeting of Listed/OTC Companies" 3 hours (7) Implementation of Risk Management Policies and Risk Measurement Standards: The Company has established risk management policies. Major policies, investment cases, endorsement and guarantees, loaning of funds, bank financing and other major proposals concerning operations have been approved by the appropriate authority and responsibility unit under evaluation and analysis and have been implemented following Board of Directors resolutions. The audit office also draws up its annual audit plan based on the risk assessment results and implements the drafted plans. Supervisory mechanism has been implemented to control various management risks.	(7) No Material Disparity.
	√		(8) Implementation of Customer Policies: The Company is committed to quality improvement and professional technology improvement and has set up a contact window available for customers to provide customers with the best products and services.	(8) No Material Disparity.
	√		(9) The Company's Insuring of Liability Insurance for Directors and Managers: The Company has insured directors and managers liability insurance. The policy period is from July 24th, 2020, to July 24th, 2021. The insurance premium is amounted to USD 5 million.	(9) No Material Disparity.
9. Please explain the improved situation based on results of the Corporate Governance evaluation published by the Corporate Governance Center, Taiwan Stock Exchange Corporation in the most recent year, and propose priority reinforcement matters and measures for those that have not yet been improved. (Entering not required if not included in evaluation) The Company has made reinforcements and rectifications to items of Corporate Governance evaluation without scores and has proposed improvement situation with supervisors for review to strengthen the Company's Corporate Governance and allow a more transparent information disclosure.				

Note 1: For Operation Status, details shall be specified in the Summary Descriptions column, regardless of the tick at "Yes" or "No".

Note 2: Accountants' Independence Appraisal and Performance Examinations for 2020 are as follows:

Item	Specific Indicators	Appraisal Standards	Score	Compliance with Independence
<b>Independence Indicators</b>				
1	There is no direct or material indirect related interest financially.	5 Points if no related interests, 0 Points if such interest exists.	5	Yes
2	There is no inappropriate related interest between the accountant and the consignor.	5 Points if no inappropriate related interests, 0 Points if such interest exists.	5	Yes
3	Financial reports for the service institution within the first two years of business may not be audited and attested.	5 Points if no violation, 0 Points if violated.	5	Yes
4	The name of the accountant may not be utilized by others. (Statement)	5 Points if no such utilization, 0 Points if such utilization occurred.	5	Yes
5	Accountants and all audit service group members may not hold shares of the consignor.	5 Points if no such holding, 0 Points if yes.	5	Yes
6	Does not have events of borrowing of money from the consignor.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
7	Does not have relations of joint investment or shared interest with the consignor.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
8	Does not take concurrent roles offered by the consignor and receive regular salary.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
9	Does not accept any commission relevant to business dealings.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
10	Term of accountant over 7 years.	5 Points if no such occurrence, and 0 Points if occurred.	5	Yes
<b>Performance Indicator</b>				
1	Official financial report of the first three quarters shall be done within 45 days in the current season or completed within three months after the end of annual report.	5 Points if completed 3 days earlier, 3 Points if completed on time, and 0 Points if completed after deadline.	5	Yes
2	The accuracy of audit and preparation of quarterly and annual reports in first draft (under Company information change.) (the four major statements)	Based on errors in figures of financial reports, 5 Points if with 2 or fewer errors, 3 Points if with 3 or fewer errors, and 0 Points if over 3 errors.	5	Yes
3	Account audit time and completion of first draft for the first three quarters of the Company by the accountant.	Based on review time of the financial reports of the first three quarters, 5 Points if within 30 days, 3 Points if within 40 days, and 0 Points if over 40 days.	5	Yes
4	The time the accountant completes the Company's annual account audit and completion of first draft.	5 Points if completed within 60 days, 3 Points if completed within 70 days, and 0 Points if completed after 70 days, based on the period between date the audits to reports have been completed the and the end of the year.	5	Yes
5	The time the accountant completes a subsidiary's annual account audit and completion of first draft.	5 Points if completed within 55 days, 3 Points if completed within 60 days, and 0 Points if completed after 60 days, based on the end of the year.	5	Yes
6	Whether the accountant has made frequent interactions with the Company's managerial personnel (internal audit personnel, etc.), with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
7	Whether the accountant has had appropriate interactions prior to the audit planning and submission of audit opinions, with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
8	Whether the accountant has proposed positive suggestions on company system and internal control audit, with records kept.	5 Points if Yes, 0 Points if no interactions.	5	Yes
9	Regularly and proactively updating the Company with tax and securities and management laws and regulations as well as revised IFRS Accounting guidelines.	5 Points if Yes, 0 Points if No.	5	Yes
10	Stability of Audit Service Team Member and Personnel.	5 Points if Yes, 0 Points if No.	5	Yes
11	Assisting in Communications and Coordination with Competent Authorities.	5 Points if Yes, 0 Points if No.	5	Yes
12	Whether there is fraud or finding of matters not meeting regular practices within the internal employees of the Company.	5 Points if No, 0 Points if Yes.	5	Yes

#### 4. Salary and Compensation Committee Operation Status:

This Committee is composed of three members as resolved and designated by Board of Directors, which one of the members serves as the convener. Professional qualification and independence of members of the Committee shall meet Articles 5 and 6 of the Regulations Governing Duties of the Salary and Compensation Committee.

##### (1) Salary and Compensation Committee Member Information:

Type of Identity (Note 1)	Condition	More than five years of working experience and following professional qualifications			Status of Conformity to Independence (Note 2)										Number of Companies the Salary and Compensation Committee member concurrently serves as the same role	Remarks
		Serving as a lecturer or higher hierarchy roles in departments business, legal, accounting or company affairs as required in the public or private university or college	Judge, prosecutor, attorney at law, accountant or other specialized professionals and technician required in Company business with accreditation conferred after passing national examinations	Has working experience concerning needs by business, legal, accounting or company affairs	1	2	3	4	5	6	7	8	9	10		
Independent Director	Liao, Shu-Zhong	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Incumbent
Independent Director	Huang, Hsien-Chou	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	Incumbent
Independent Director	Liu, Zheng-Huai	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	(Note3)
Independent Director	Chueh, Ming-Fu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	(Note3)
Independent Director	Cheng, Wen-Zheng	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	(Note3)

Note 1: For identity, please enter Director, Independent Director or others.

Note 2: In case a member meets any of the conditions below within two years prior to election or during the term, please enter “✓” in the blank(s) under each condition code.

- (1) The member is not an employee of the Company or its related enterprise(s).
- (2) The member is not a director or supervisor to the Company or its related enterprises (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (3) Natural person shareholder as a shareholder holding more than 1% of the Company's outstanding shares or top 10 shareholders of the Company who is not the member him/herself or his/her spouse, underage children or holding under the name of others.
- (4) The member is not a manager as stated in (1), or spouse, relatives under 2<sup>nd</sup> degree of kinship or direct blood relatives under 3<sup>rd</sup> degree of kinship.
- (5) A director, supervisor or employee as a Corporate Shareholder who does not directly hold more than 5% of the Company's outstanding shares, in top 5 shareholding among all shareholders, or is not designated as a representative to the director or supervisor following paragraph 1 or 2, Article 27 of the Company Act (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (6) A director, supervisor or employee of other companies which does not hold a position as the Company's director or whose majority of shares of voting rights is held by the same person (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (7) Those who are not the Chairman, President or equivalent roles of the company who are the same person or spouse as the Director, Supervisor or employee of another company or institution (however, this does not apply to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (8) Director, supervisor, manager of shareholders holding more than 5% of the outstanding share of the Company without financial or business dealing with the Company (however, this does not apply to specific companies or institutions who holds more than 20% but less than 50% of the Company's outstanding shares, and to concurrent roles as independent director taken in the Company and its parent company, subsidiary or subsidiary under the same parent company as furnished in accordance with this Act or local laws and regulations).
- (9) Professionals of business, legal, accounting and relevant services, sole proprietorships, partnerships, or business owners, partners, directors, supervisors, managers and their spouses of other companies or institutions who are not professionals who does not conduct audits for the Company or its related companies or whose cumulative amount of remuneration in the most recent two years does not exceed NTD 500,000. However, Salary and Compensation Committee, Public Acquisition Review Committee, or M&A Special Committee that perform their duties in accordance with the Securities and Exchange Act or the relevant laws and regulations of the Mergers and Acquisitions Act Members shall not appl.
- (10) No occurrence of events as provided in subparagraphs of Article 30 of the Company Ac.

Note 3: This Salary and Compensation Committee is formed by all Independent Directors, with a term from June 10, 2020, to June 9, 2023.

##### (2) Operations of the Salary and Remuneration Committee

A. The Remuneration Committee of the Company consists of three members.

- B. Term of this Committee: June 10, 2020 to June 9, 2023. In 2020, a total of two Salary and Compensation Committee meetings were held, with member qualifications and attendance as follows:

Role	Name	Actual Number of Attendance (B)	Number of Delegated Presence	Actual Attendance Rate (%) (B/A) (Note)	Remarks
Independent Director	Liu, Zheng-Huai	1	0	100%	new
Independent Director	Chueh, Ming-Fu	1	1	50%	Re-elected
Independent Director	Cheng, Wen-Zheng	1	0	100%	new
Independent Director	Huang, Hsien-Chou	1	0	100%	Incumbent
Independent Director	Liao, Shu-Zhong	1	0	100%	Incumbent

Matters Worth Special Mentions:

1. In case the Board of Directors does not adopt or revise suggestions by the Salary and Compensation Committee, date, period, Content of Proposal, resolution results by the Board of Directors and the handling by the Company on Salary and Compensation Committee opinions (e.g., salary and compensation adopted by the Board of Directors as superior to suggestions by Salary and Compensation Committee, with disparity and reasons required to be stated) of such Board of Directors' meeting shall be stated: No such occurrence in the Company
2. Where there is any objection or qualified opinion by the members based on resolutions in a Salary and Compensation Committee meeting, with records or written statements, the date, period, content of proposal, opinions by all members and the handling of opinions from objecting members of such Salary and Compensation Committee meeting should be stated:

Note:

- (1) Where there is a Salary and Compensation Committee member resigning prior to the end of a year, the date of resignation shall be noted in the Remarks column; Actual Presence (Attendance) rate (%) is calculated using the number of Salary and Compensation Committee meetings held during his/her term and number of his/her Actual Presence (Attendance).
- (2) Where there is a by-election of Salary and Compensation Committee members prior to the end of a year, the names of new and incumbent members year shall be listed, with status of such member (New, Incumbent or Re-elected) and the date of by-election noted at Remarks column. Actual Presence (Attendance) rate (%) is calculated using the number of Salary and Compensation Committee meetings held during his/her term and number of his/her Actual Presence (Attendance).
- (3) Independent Director: Mr. Liu, Zheng-Huai and Mr. Cheng, Wen-Zheng assumed office on June 10, 2020.
- (4) Independent Director: Mr. Huang, Hsien-Chou and Mr. Liao, Shu-Zhong left office on June 10, 2020.

(3)

Board of Directors Date	Contents of Proposals	Opinions by All Independent Directors	Handling of the Independent Directors' Opinions by the Company
2020/03/19	1. Review on 2019 Board of Directors Performance Appraisal 2. Review on Rectification of the Company's Distributions of Directors' Compensation, Manager (Employee) Compensation and Year-End Bonus in 2019. 3. List of Managers Applicable for Salary and Compensation Review	No Opinion	Passed as Proposed
2020/11/12	1. To Ratify the Company's Manager (Employee) Compensation Distribution 2. Discussion on Year-End Bonus for Managers of the Company in 2020 3. List of Managers Applicable for Salary and Compensation Review	No Opinion	Passed as Proposed

5. Status of Fulfilling Social Responsibility and Disparities from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and their reasons:

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions (Note2)	
1. Has the Company conducted risk assessments on environmental, social, and corporate governance issues relating to the Company's operations in accordance with the materiality, and formulated relevant risk management policies or strategies? (Note 3)	✓		HOTA has formulated the Internal Control system in accordance with the relevant regulations of the competent authority, which includes the control operations and management regulations of various operation cycles. Its purpose is to ensure the effect and efficiency of the operation (incl. profit, performance, and asset security, etc.), reliability of financial reports, and the achievement of the goals of compliance with relevant laws and regulations, etc. to provide with reasonable assurance.	No material disparity.
2. Has the Company set up a dedicated (concurrent) unit to promote corporate social responsibility, with the Board of Directors authorizing the senior management to for handling and reporting such handling to the Board of Directors?	✓		The Company has set up a dedicated (concurrent) unit responsible for promoting corporate social responsibility, coordinating operations, and reporting regularly to the Board of Directors.	No material disparity.
3. Environment Issues				
(1) Has the Company established an appropriate environmental management system based on its industrial characteristics?	✓		(1) The Company has introduced the ISO14001 environmental management system and cooperated with the government to continuously carry out domestic and industrial waste sorting, recycling, and reduction policies.	(1) No material disparity.
(2) Is the Company committed to enhancing the utilization efficiency of various resources while using recycled materials with low impact on the environment?	✓		(2) The Company is committed to improving the utilization efficiency of various resources, including promoting electronic operations, utilization of document management, standardized document electronic transformation and paper recycling, etc., to reduce resource consumption. In addition, a measure restricting the usage of air conditioning for indoor temperature under 28 degrees Celsius has been effected.	(2) No material disparity.
(3) Has the Company assessed the current and future potential risks and opportunities of climate change to the Company and taken measures to respond to climate-related issues?	✓		(3) The Company always pays attention to the impact of climate change on operation, and regularly checks and formulates energy saving and carbon reduction and greenhouse gas reduction policies for greenhouse gases on an annual basis.	(3) No material disparity.
(4) Has the Company taken statistics on greenhouse gas emissions, water consumption and total weight of waste in the previous two years and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water reduction or other waste management?	✓		(4) The greenhouse gas emissions, water consumption and total weight of waste have been counted in the previous two years, with relevant regulations for energy saving and carbon reduction, greenhouse gas reduction, water consumption reduction, and other waste management formulated to implement corporate social responsibility.	(4) No material disparity.
4. Social Issues				
(1) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1) The Company has formulated various management policies and procedures in accordance with various labor laws and international human rights conventions to ensure the rights and of employees.	(1) No material disparity.

Appraisal Items	Operation Status (Note1)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions (Note2)	
(2) Has the Company formulated and implement reasonable employee welfare measures (including salary and compensation, vacation, and other benefits, etc.), and appropriately reflected operating performance or results in employee compensation?	✓		(2) Reasonable employee welfare mechanism has been promulgated and implemented, with employee evaluations conducted, to accurately reflect operating performance in employee welfare and compensation.	(2) No material disparity.
(3) Has the Company provided employees with a safe and healthy working environment and provided employees with regular safety and health educations?	✓		(3) The Company is committed to providing employees with a safe and healthy working environment, implementing safety and health education on a regular basis through training for new recruits and orientation, on-the-job education training opportunities.	(3) No material disparity.
(4) Has the Company established an effective career development training program for employees?	✓		(4) The Company regards employees as important assets, cultivating talents through on-the-job training at various functions.	(4) No material disparity.
(5) With regards to customer health and safety, customer privacy, and marketing and labeling of products and services, has the Company complied with relevant laws and regulations and international standards, and formulated relevant consumer protection policies and grievance procedures?	✓		(5) The Company's products and services have been regulated in accordance with international laws and regulations, with business unit designated for handling quality and customer grievances.	(5) No material disparity.
(6) Has the Company formulated supplier management policies requiring suppliers to comply with relevant regulations on issues e.g. environmental protection, occupational safety and health, or labor human rights? In addition, how is the implementation?	✓		(6) The Company selects qualified suppliers following "Regulations Governing Supplier Management and Evaluation". Suppliers shall comply with the ISO quality and environmental management system. The Company takes regular audits on supplier compliance.	(6) No material disparity.
5. Has the Company referred to the internationally accepted standards or guidelines for the preparation of reports to prepare reports disclosing the Company's non-financial information, such as CSR reports? Has the aforementioned reports obtained the validation or assurance opinion of the third-party verification body?	✓		The Company's CSR Report and relevant information have been reviewed and revised by the CSR team in accordance with the AA 1000 AS-Type1 and application indicators under core options of GRI STANDARDS before submitting to a third party for verification.	No material disparity.
6. In case the Company has set forth its own CSR principles following "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe its operation and its disparity with the set principles: No material disparity.				
7. Other important information helpful in understanding the Operation Status of CSR: None.				

Note 1: If "Yes" is ticked in Operation Status, please specify the important policies, strategies, measures and implement as adopted; if "No" is ticked, please explain the cause, and specify the plans relevant to policies, strategies and measures taken in the future.

Note 2: In case the Company has prepared CSR Report, notes on "Inquiry of CSR Report" or indices and pages may be made in lieu of details in Summary Descriptions.

Note 3: Materiality refers to environmental, social, and corporate governance issues causing material impacts to investors and other stakeholders of the Company.



## 6. Status of the Company's Fulfillment of Ethical Management and Measures Adopted:

Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
<p>1. Formulating Ethical Management Policies and Plans</p> <p>(1) Has the Company formulated the ethical management policy approved by the Board of Directors, and clearly indicated the ethical management policy and practice in its regulations and external documents, with commitment of active implementation of the management policy by the Board of Directors and senior management?</p> <p>(2) Has the Company formulated a risk assessment mechanism for unethical conduct, regularly analyzing and evaluating business activities at a higher risk of unethical conduct in the business scope, and formulated plans in prevention of unethical conducts which at least covers Article 7, Paragraph 2 of the "Ethical Corporate Management "Best Practice Principles for TWSE/GTSM Listed Companies" Article 7 Paragraph 2?</p> <p>(3) Has the Company specified operating procedures, behavior guidelines and punishments and appeal systems for violations within the plans for preventing unethical conducts, and has implemented and regularly reviewed and revised the aforementioned plans?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has set forth "Rules for Ethical Management" and "Operational Procedure for Ethical Management and Guide of Conducts" to implement compliance with the Company Act and relevant securities regulations and Board of Directors and management's commitment to the ethical management policy.</p> <p>(2) The Company engages in business operations based on the principles of fairness, integrity, and transparency. To fulfill the ethical management policy and actively prevent unethical conducts, the Company has promulgated "Rules for Ethical Management", "Operational Procedure for Ethical Management and Guide of Conducts" and "Code of Ethical Conduct", and, in accordance with the Company's relevant disciplinary regulations, put the relevant regulations into implementation. It has been specifically specified in the "Operational Procedure for Ethical Management and Guide of Conducts" that the directors, supervisors, managers and employees and de-facto controllers are prohibited from engagement in any business activities at a higher risk of unethicalness as provided by Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business scopes.</p> <p>(3) The "Rules for Ethical Management" as promulgated by the Company clearly states that no illegitimate benefits, or acts that violate ethicalness, legality, etc., is allowed, and whistleblowing on any illegal or ethical conduct that violates the Code of Conduct is encouraged. In addition, advocacies on the importance of ethical conducts to the directors and employees shall be taken regularly. The aforementioned plan shall, in accordance with the methods for assessing the risk of unethical conduct, reviewed with the appropriateness and effectiveness of the prevention plan on a regular basis, with appropriate adjustments or amendments made.</p>	<p>(1) No material disparity.</p> <p>(2) No material disparity.</p> <p>(3) No material disparity.</p>
<p>2. Fulfilling Ethical Management</p> <p>(1) Has the Company assessed the ethics records of its counterparties and specify the ethical conduct clauses in the contracts signing with its counterparties?</p> <p>(2) Has the Company set up a dedicated unit to promote corporate ethical management under the Board of Directors, who regularly (at least once a year) report to the Board of Directors on its ethical</p>	<p>✓</p> <p>✓</p>		<p>(1) The Company has assessed the ethics records of its counterparts and has not found any specific records of unethicalness in the transactions.</p> <p>(2) The Company's promotion and audit of ethical management is mainly conducted by internal auditors on a regular basis, with</p>	<p>(1) No material disparity.</p> <p>(2) No material disparity.</p>

Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
management policies, plans for preventing unethical conduct, and supervision and implementation?			reports prepared and reporting to the Board of Directors on a regular basis.	
(3) Has the Company formulated a policy for prevention of conflicts of interest, while providing appropriate channels for claim, and has implemented it?	✓		(3) The Company has set forth "Rules for Ethical Management", "Operational Procedure for Ethical Management and Guide of Conducts" and "Guidelines for Ethical Conducts" to provide appropriate statement channels and active explanations for directors, supervisors, and managers in case of relevant conflicts of interests.	(3) No material disparity.
(4) Has the Company established an effective accounting system and an internal control system for the implementation of ethical management, with the internal audit unit drawing up relevant audit plans based on the results of the assessment of the risk of unethical conducts, which are adopted in examinations of compliance with prevention of unethical conducts, or has the Company consigned a CPA for such examination?	✓		(4) The Company has established an accounting system and an internal control system, with implementations fulfilled. In addition, based on the results of the assessment of the risk of unethical conduct, internal auditors formulate an audit plan that includes audit objects, scope, items, frequency, etc., for examining the compliance of the prevention plan; the examination result shall be reported to the senior management and the responsible unit of ethical management, with audit report prepared and submitted to the Board of Directors. In addition, the Company conducts annual review and revision operations to ensure the continuous effectiveness of the system design and its implementation to establish a good Corporate Governance and risk control mechanism as the foundation for evaluating the effectiveness of the overall Internal Control system and issuing an Internal Control system statement.	(4) No material disparity.
(5) Has the Company regularly organized internal and external education training on ethical management?	✓		(5) The Company has actively advocated ethical management to its employees, though it has not regularly organized education training on ethical management.	(5) Planning.
3. Operation Status of the Company's Whistleblowing System				
(1) Has the Company formulated a specific whistleblowing and reward system and established a convenient whistleblowing channel, while designating appropriate acceptance personnel for the reported subject?	✓		(1) The Company has set up "Operational Procedure for Ethical Management and Guide of Conducts" specifying the matters that the Company personnel shall pay notice to when performing business and has established a dedicated unit responsible for the implementation and supervision of related operations.	(1) No material disparity.
(2) Has the Company formulated standard operating procedures for the investigation of reported matters, follow-up measures to be taken after the investigation has been completed, and related confidentiality mechanisms?	✓		(2) In accordance with "Guidelines for Ethical Conducts", the Company conducts the investigation standard operational procedures and related confidentiality mechanisms for the investigation of reported matters, but all grievances are handled with prudence and confidentiality. However, the Company still planning a specific whistleblowing and reward system.	(2) Planning.
(3) Has the Company taken measures to protect whistleblowers from receiving inappropriate dispositions as a result of whistleblowing?	✓		(3) In accordance with the "Guidelines for Ethical Conducts", the Company upholds its responsibilities in keeping confidentiality to	(3) No material disparity.

Appraisal Items	Operation Status (Note)			Disparity with Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Such Disparity
	Yes	No	Summary Descriptions	
			informants, and measures to prevent informants from receiving inappropriate dispositions as a result of whistleblowing.	
4. Reinforcing Information Disclosure Has the Company disclosed on its website and MOPS the content of its code of ethical management and its promotion effectiveness?	✓		The Company has disclosed relevant information on MOPS and the Company website.	No material disparity.
5. Where the Company has promulgated its own Guidelines for Ethical Management in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please specify its operations and its disparity from the set guidelines: No material disparity.				
6. Other important information helpful in understanding the Operation Status of the Company’s ethical management: (e.g., the Company’s reflection and revision on its own Guidelines for Ethical Management): No material disparity.				

Note: Operation Status shall be specified in the Summary Description column, no matter “Yes” or “No” is ticked.

7. Where the Company has promulgated Corporate Governance guidelines and relevant rules and regulations, relevant query methods shall be disclosed:
  - (1) The Company has promulgated relevant Corporate Governance rules and regulations including “Guidelines for Governance Practices”, “Guidelines for Corporate Social Responsibility Practices”, “Rules for Ethical Management”, “Operational Procedure for Ethical Management and Guide of Conducts” and “Guidelines for Ethical Conducts”, etc.
  - (2) The above mentioned relevant Corporate Governance rules are disclosed on the Company Website  
<http://www.hota.com.tw/tw/transmission/service.php?c1=2&c2=6>.
8. Other important information sufficient to enhance understandings to Corporate Governance Operation Status shall be disclosed altogether:  
 Concerning information sufficient to enhance understandings to Corporate Governance Operation Status, all are disclosed via MOPS or the Company website.

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

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

Date: March 17, 2020

The statement concerning the Company's 2020 internal control system is made as follows in accordance with independent examination:

1. The Company has authentic knowledge that establishment, enforcement and maintenance of internal control system is of the liability of the Company's Board of Directors and Managerial Officers and has established such system. The purpose of such system is to provide reasonable assurance over the effects and efficiency of operations (incl. profit, performance and guarantee of asset safety, etc.), reliability of financial report and compliance with relevant law and regulations.
2. The internal control system has its congenital limitations, and an effective internal control may only provide reasonable assurances for achievement of the aforesaid three goals; in addition, due to changes in the environment and circumstances, effectiveness of internal control system may be varied accordingly. However, the internal control system of the Company contains a self-supervision mechanism where the Company may immediately adopt rectification upon identification of defects.
3. The Company identifies the validity of designs and executions of the internal system in accordance with identification items for internal control systems as provided by "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter "Regulations"). The identification items for internal control systems as adopted by these "Regulations" are the divided five composition factors from the internal control system by the process of management control: 1. Control Environment; 2. Risk Assessment and Responses; 3. Control Conduct; 4. Information and Communication; and 5. Supervision. Each constitution factor further include multiple items. For the aforesaid items, please refer to provisions in the "Regulations".
4. The Company has adopted the aforesaid internal system identification items to examine the design and validity of execution for the internal control system.
5. The Company has, on basis of the examination result as mentioned in the preceding paragraph, recognized on December 31, 2020 that the internal control system (containing supervision and management to its subsidiaries), including the acknowledgement over degree of achievement of operation effects and efficiency goals, reliability of financial reports and relevant laws and regulations as well as design and execution of other internal control system as valid, and may reasonably ensure the achievement of aforesaid goals.
6. This statement will become the main content of the Company's annual report and prospectus, and shall be externally disclosed. Should there be illegitimate matters for falsification, coverup, etc., such event will constitute violation of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been adopted by passage at the Board of Directors meeting on March 17, 2021, in which the 13 attending directors contains 0 directors holding objection, and the remaining have agreed the contents of this statement and is hereby certified

Hota Industrial Mfg. Co., Ltd.

Chairman: SHENG, KUO-JUNG

President: CHEN, CHUN-CHIH

Note 1: In case there is material defect in the Design and execution of a public company's internal system, such defect shall be described in an additional section at paragraph 4 of its internal control system statement, with material defects discovered in the independent examination and the Company's rectification actions and status currently adopted for the assets and liabilities listed and described.

Note 2: The date of statement shall be "the end of a fiscal year".

- (2) Where the Company entrusts accountants in reviewing the internal control system under project, an accountant review report shall be disclosed: No such occurrence in the Company.

10. Penalties to the Company and its internal personnel, penalties to the Company and its internal personnel for violation against internal control system rules, major defects, and improvement status in the most recent year and as of the date of publication of annual report: None
11. Important Resolutions by the Shareholders' meeting and the Board of Directors' meeting in the Most Recent Year and as of the date of publication of annual report.

Meeting Date	Meeting Type	Important Resolutions
2020/03/19	Board of Directors	<ol style="list-style-type: none"> <li>1. Time, Location and Meeting Procedure for the 2020 Regular Shareholders' Meeting.</li> <li>2. To Review Business Report, Parent-Company Only Financial Report and Consolidated Financial Report of 2019.</li> <li>3. 2019 Internal Control System Statement.</li> <li>4. 2019 Retained Earnings Distribution.</li> <li>5. 2019 Employees' and Directors' Compensation Distribution.</li> <li>6. To Review the List of Candidates for Directors of the Company.</li> <li>7. Removal on Con-Competing Limitations to the Company's Directors.</li> <li>8. To make loan of funds and refunding to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.</li> <li>9. To determine the appropriateness of hedging exchange rate risks through the use of financial derivatives instruments in 2020.</li> <li>10. Application of funding credit line to financial institutions by the Company.</li> <li>11. To Amend Partial Articles of the Company's "Articles of Incorporation".</li> <li>12. To Amend Partial Articles of the Company's "Regulations Governing Appointment of Independent Directors and Compliance Matters".</li> <li>13. To Promulgate the Company's "Operation Regulations Governing Financial Report Preparation Process Management".</li> <li>14. The Company's Applicable Manager Change and Salary Plans.</li> </ol> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Directors Huang, Hsien-Chou and Liao, Shu-Zhong have attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2020/03/26	Special Board of Directors Meeting	<p>Proposal of Buyback of the Company's Shares for Maintenance of Company Credit and Shareholders' Equity.</p> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Directors Huang, Hsien-Chou and Liao, Shu-Zhong have attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2020/05/14	Board of Directors	<p>Application of funding credit line to financial institutions by the Company.</p> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Director Chueh, Ming-Fu, Director Huang, Hsien-Chou, and Director Liao, Shu-Zhong have all attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2020/06/10	Board of Directors	<p>By-election of the Company's Chairman and Vice Chairman.</p> <p><u>Resolution Status:</u>  Attendance by the Independent Directors: Director Chueh, Ming-Fu, Director Liu, Zheng-Huai, and Director Cheng, Wen-Zheng have all attended.  Opinions of Independent Directors: None.  Handling of Independent Directors' Opinions by the Company: None.  Resolution: adopted by passage from all attending directors.</p>
2020/06/10	Regular Shareholders' Meeting	<p>Matters for Report:</p> <ol style="list-style-type: none"> <li>1. 2019 Business Report.</li> <li>2. Audit Committee Review in 2019 financial statements.</li> <li>3. Report on Distribution of Employees' Compensation and Directors' Compensation in 2019.</li> </ol> <p><u>Status of Subsequent Implementation:</u>  Employees' and Directors and Supervisors' Compensation of 2019 has been adopted by the Board of Directors through resolution and distributed on August 10, 2020.</p> <p>Matters for Rectification:</p>

Meeting Date	Meeting Type	Important Resolutions
		<p>1. To Ratify financial statements of 2019.</p> <p>2. To Ratify Retained Earnings Distribution of 2019.</p> <p><u>Status of Subsequent Implementation:</u></p> <p>The Retained Earnings Distribution of 2019 has, following passage by the shareholders' meeting, distributed in wire transfer or checks denoting "Nonnegotiable" delivered via registered mails by Agency for Stock Affairs, MasterLink Securities Co., Ltd. under commission on July 31, 2020.</p> <p>Matters for Discussion 1:</p> <p>To amend partial articles of the Company's "Articles of Incorporation"</p> <p>Matters for Election:</p> <p>By-election of the Company's Directors.</p> <p>Matters for Discussion 1:</p> <p>Removal on Con-Competing Limitations to the Company's Directors</p>
2020/08/13	Board of Directors	<p>1. Application of funding credit line to financial institutions by the Company.</p> <p>2. To conduct the Company's 3rd Cancellation on Buyback of Treasury Shares and Setting of Record Dates for Decrease of Capital.</p> <p>3. to Change the CPA for Auditing and Attesting for the Company.</p> <p>4. To make loan of funds to the Company's supplier YUNG-CHIN DEVELOP FORGING CO., LTD.</p> <p>5. Application for offering endorsement and guarantee to the Company's sub-subsidiary HOWON POWERTRAIN CO., LTD.</p> <p>6. To appoint the Company's Salary and Compensation Committee Members</p> <p>7. To Promulgate the Company's "Implementation Procedure for Buyback of Treasury Shares".</p> <p>8. To amend partial articles of Rules of Procedure for the Board of Directors Meetings.</p> <p>9. To Amend Partial Articles of the Company's "Audit Committee Organic Regulations".</p> <p>10. To Amend Partial Articles of the Company's "Salary and Compensation Committee Organic Regulations".</p> <p><u>Resolution Status:</u></p> <p>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended.</p> <p>Opinions of Independent Directors: None.</p> <p>Handling of Independent Directors' Opinions by the Company: None.</p> <p>Resolution: adopted by passage from all attending directors.</p>
2020/09/10	Board of Directors	<p>1. To Ratify Applications of Offering Endorsement and Guarantee to the Company's Subsidiary Wuxi Hota Precision Gear Co., Ltd.</p> <p>2. Addition of the Company's CEO role.</p> <p>3. To conduct New Share Issuance through Cash Capital Increase in 2020.</p> <p><u>Resolution Status:</u></p> <p>Attendance by the Independent Directors: Directors Liu, Zheng-Huai and Cheng, Wen-Zheng have attended.</p> <p>Opinions of Independent Directors: None.</p> <p>Handling of Independent Directors' Opinions by the Company: None.</p> <p>Resolution: adopted by passage from all attending directors.</p>
2020/11/12	Board of Directors	<p>1. Application of funding credit line to financial institutions by the Company.</p> <p>2. The Company's Audit Plans for 2021.</p> <p>3. To Ratify the distribution of Company's Managers' and Employees' Compensation and Bonus.</p> <p>4. The Company's Gains or Losses for Annual Operation Plans Budget in 2021.</p> <p>5. To evaluate the Independence of CPAs of the Company.</p> <p>6. To make loan of funds to the Company's supplier Jian-Li Enterprise Co., Ltd.</p> <p>7. To conduct joint construction and development of lands in Chiayi Dapumei Precision Park with Kao Fong Machinery Co., Ltd.</p> <p>8. The Company's Applicable Manager Change and Salary Plans.</p> <p><u>Resolution Status:</u></p> <p>Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended.</p> <p>Opinions of Independent Directors: None.</p> <p>Handling of Independent Directors' Opinions by the Company: None.</p> <p>Resolution: adopted by passage from all attending directors.</p>
110/03/17	Board of Directors	<p>1. Time, Location and Meeting Procedure for the Company's 2021 Regular Shareholders' Meeting.</p>

Meeting Date	Meeting Type	Important Resolutions
		2. To review the Company's Business Report, Parent-Company Only Financial Report and Consolidated Financial Report of 2020. 3. The Company's Internal Control System Statement of 2020. 4. The Company's Retained Earnings Distribution of 2020. 5. Cash Distribution of the Company's Additional Paid-in Capital of 2020. 6. Distribution of Employees' Compensation and Directors' Compensation the Company of 2020. 7. To determine the appropriateness of hedging exchange rate risks through the use of financial derivatives instruments in 2021. 8. To Ratify the Company's application for credit of line for funding to financial institutions. 9. To Ratify the Company's increase in loan through syndicated loans by the banks. 10. To amend partial articles of the Company's "Rule of Procedure for Shareholders' Meeting". 11. To add partial articles to the Company's "Operational Procedure for Loaning of Funds to Others". 12. To amend partial articles of the Company's "Code of Corporate Governance Practices". 13. To amend partial articles of the Company's "Regulations Governing Performance Appraisal on the Board of Directors". 14. The Company's Applicable Manager Change and Salary Plans. <u>Resolution Status:</u> Attendance by the Independent Directors: Directors Chueh, Ming-Fu, Liu, Zheng-Huai and Cheng, Wen-Zheng have all attended. Opinions of Independent Directors: None. Handling of Independent Directors' Opinions by the Company: None. Resolution: adopted by passage from all attending directors.

12. Director or supervisors expressing different opinions over Important Resolutions as adopted by the Board of Directors and have records or written statements and their main contents in the most recent year and as of the date of publication of annual report: None.
13. Compilation of resignations and dismissals of personnel relevant to the Financial Report (incl. Chairman, President, Accounting Manager, financial supervisor, internal audit supervisor, Corporate Governance supervisor and R&D supervisor, etc.) in the most recent year and as of the date of publication of annual report : No such occurrence in the Company.

**(V) Information on CPA Professional Fees :**

Amount Unit: NTD Thousand

Name of Accounting Firm	Name of CPA	Public Expenses for Audit	Non-Public Expenses for Audit					Auditing Period of the CPA	Remarks
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
PwC Taiwan	Wu, Sung-Yun Hsu, Chien-Yeh	2,600	—	—	—	407	407	2020year	Transfer Pricing Fees in 2020 at NTD 190 Thousand; Traavel Expense at NTD 117 Thousand; Professional Charge for Cash Capital Increase Review at NTD 100 Thousand

Note 1: In case the Company has made replacements to the accountant or CPA firm, the audit periods shall be listed separately and the reason for such replacement shall be specified in the Remarks column, with information of audit or non-audit professional charges paid disclosed in order.

Note 2: Non-audit professional charges shall be listed separately by service items; in case the "Other" under the non-audit professional charges amounts to 25% or more to the total professional charge for non-audit matters, the service contents shall be listed in the Remarks column.

- (1) Where the non-audit professional charge paid to the CPA, the CPA firm the CPA is affiliated to and its related companies accounts for over one-fourth of the audit professional charge, amounts of audit and non-audit professional charges and contents of non-audit services shall be disclosed: No such occurrence in the Company.
- (2) Where the CPA firm has been replaced and the professional charge of audit paid in the year the replacement is made is reduced compared to the amount paid in the year preceding year, the amount reduced, proportion and reasons for the professional charges of audit shall be disclosed: No such occurrence in the Company.
- (3) In case the professional charge for audit for the current year is reduced by 15% or more compared to the preceding year, the amount reduced, proportion and reasons for such professional charge of audit shall be disclosed: No such occurrence in the Company.

**(VI) Information on Replacement of Certified Public Accountants: No such occurrence in the Company.**

(VII) In case any Chairman, President, manager responsible for financial or accounting affairs has been employed in the CPA firm the CPA is affiliated to or its related companies, name, role, and the period for services at the CPA firm the CPA is affiliated to, or its related companies shall be disclosed: No such occurrence in the Company.

(VIII) The State of Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During The Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report.

1. Changes in Share Ownership of Directors, Supervisor, Managers and Major Shareholders:

Unit: Share

職稱	姓名	2020		As at March 31, 2021	
		Shareholding Increase/Decrease	Pledged Shares Increase/Decrease	Shareholding Increase/Decrease	Pledged Shares Increase/Decrease
Chairman	Sheng, Kuo-Jung	—	1,500,000	(19,200)	—
Director	Lin, Yen-Huey	—	2,000,000	260,882	—
Director	Lin, Mei-Yu	—	—	108,000	—
Director	Wang, Hui-O	(27,000)	—	18,272	—
Director	Huang, Feng-I	—	—	149,000	—
Director	Central Investment Co., Ltd.	—	—	1,359,766	—
	Representative: Chang, Yu-Jeng	—	—	5,094	—
	Representative: Chang, Tian-Han	—	—	—	—
	Representative: Lin, Yue-Hong (Reassigned on 2020/6/17)	—	—	22,247	—
Director	Kao Fong Machinery Co., Ltd.	340,000	—	484,843	—
	Representative: Sheng, Chien-Chih	—	—	76,572	77,000
Director	Hao-Qing Investment Ltd.	—	—	5,924	—
	Representative: Sun, Yong-Lu	39,000	—	93,791	—
Director	Tsai, Yu-Kung	16,636	—	(20,000)	—
Independent Director	Chueh, Ming-Fu	—	—	—	—
Independent Director	Cheng, Wen-Zheng (Assumed Office on 2020/6/10)	—	—	—	—
Independent Director	Liu, Zheng-Huai (Assumed Office on 2020/6/10)	—	—	—	—
Independent Director	Liao, Shu-Zhong (Relieved Office on 2020/6/10)	—	—	—	—
Independent Director	Huang, Hsien-Chou (Relieved Office on 2020/6/10)	—	—	—	—
President	Chen, Chun-Chih	—	—	17,027	—
Vice President	Sun, Cheng-Zhi	—	—	808	—
Vice President	Shen, Shui-Hsiang	—	—	67,329	—
Senior Manager	Chen, Tang-Ping	—	—	62	—
Senior Manager	Liu, Jian-Yi	—	—	—	—
Senior Manager	Wu, Zhao-He	—	—	—	—
Senior Manager	Chang, Ren-You	—	—	—	—
Accounting Manager	Chen, Tai-Lin	—	—	—	—

Note: The Company has established its Audit Committee to replace supervisors since June 14, 2017.



2. Information in the transfer of equity interests:

Name (Note 1)	Reason for Stock Right Transfer (Note 2)	Transaction Date	Trading Counterpart	Relation of Trading Counterpart to Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares	Number of Shares	Trading Price
Sheng, Kuo-Jung	Disposition	2021/3/30	Sheng, Chien-Chih	Sheng, Kuo-Jung (Daughter)	19,200	2,198,400

Note1: Refers to Names of the Company's Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares to be entered in.

Note2: Refers to acquisition or disposition to be entered in.

3. Information in the pledge of equity interests:

As of April 12, 2021

Name (Note 1)	Reason for Changes in Pledge (Note 2)	Change Date	Trading Counterpart	Relation of Trading Counterpart to Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares	Number of Shares	Shareholding Ratio (%)	Pledge Ratio (%)	Amount Pledged (Redeemed)
Sheng, Kuo-Jung	Pledge	2020/11/17	Jih Sun International Bank Northern Taichung Branch	Sheng, Chien-Chih (Daughter)	1,500,000	1.42	37.90	—
Sheng, Chien-Chih	Pledge	2021/01/18	E-SUN Bank Dadun Branch	Sheng, Kuo-Jung (Father)	77,000	0.06	43.59	—
Lin, Yen-Huey	Pledge	2014/9/29	Jih Sun International Bank Northern Taichung Branch	None	1,200,000	1.36	84.16	—
		2020/9/28			1,180,000			—
		2020/9/29			620,000			—
		2020/9/30			200,000			—
Tsai, Yu-Kung	Pledge	2014/9/29	Mega Bank Northern Taichung Branch	None	930,000	0.37	100	—

Note1: Refers to Names of the Company's Directors, Supervisors, Managerial Officers and Shareholders holding more than 10% of the Outstanding Shares to be entered in.

Note2: Refers to Pledge or Redemption to be entered in.

**(IX) Information on the Top 10 Holders of the company's Shares who Are Identified as Related Parties, Spouses or Relatives within Second-degree of Kinship:**

Top 10 Holders of the Company and their Relationships as Related Parties

As of April 8, 2021

Name (Note 1)	Shares Held in Person		Shares Currently Held by Spouse Shares Held		Total Shares Held in Shares Held		Top Ten Shareholders who Are Related Parties, Spouses, or Second-degree Relatives (Note 3)		Remarks
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Title (or Name)	Relationship	
Cathay Life Insurance Co., Ltd.	16,946,039	6.06	—	—	—	—	—	—	—
Central Investment Co., Ltd.	11,985,241	4.29	—	—	—	—	—	—	—
Representative: Chang, Yu-Jeng	74,246	0.03	—	—	—	—	Same as 5th Largest Shareholder Representative	—	—
Chien-Zhan Co., Ltd.	11,257,945	4.03	—	—	—	—	—	—	—
Representative: Shen, Chien-Yu	16,085	0.01	—	—	—	—	Sheng, Kuo-Jung	Father & Daughter	—
Fu, Di-Chen	10,586,699	3.79	—	—	—	—	—	—	—
Central Motor Co., Ltd.	7,398,108	2.65	—	—	—	—	—	—	—
Representative: Chang, Yu-Jeng	74,246	0.03	—	—	—	—	Same as 2nd Largest Shareholder Representative	—	—
Chunghwa Post Co., Ltd.	7,228,524	2.59	—	—	—	—	—	—	—
Kao Fong Machinery Co., Ltd.	7,066,239	2.53	—	—	—	—	—	—	—
Representative: Sheng, Kuo-Jung	3,957,867	1.42	37,140	0.01	—	—	Chien-Zhan Co., Ltd. Representative: Shen, Chien-Yu	Father & Daughter	—
Weng, Qing-Biao	5,870,042	2.10	—	—	—	—	—	—	—
New Labor Pension Fund	4,496,357	1.61	—	—	—	—	—	—	—
Sheng, Kuo-Jung	3,957,867	1.42	37,140	0.01	—	—	Chien-Zhan Co., Ltd. Representative: Shen, Chien-Yu	Father & Daughter	—

**(X) Number of shares held by the company, directors, Supervisor, managers and entities directly or indirectly controlled by the company in the same reinvestment entity as well as consolidated shareholding ratio.**

consolidated shareholding ratio

Unit: Share

Investment in other companies (Note)	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Investments	
	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio
Kao Fong Machinery Co., Ltd.	838,878	0.78	20,190,535	18.69	21,029,413	19.47

Note : refers to long-term investments assessed by the Company under equity method.

## IV. Funding Status

### (I) Capital & Shares

#### 1. Sources of capital

Unit: NTD Thousands (excl. shares counted at NTD)

As of April 8, 2021

Year/Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
March 2009	10	350,000,000	3,500,000	123,559,365	1,235,594	Capital Decrease at \$ 5,300 Corporate Bond Transfer to Shares \$ 1,115	—	(註 1)
July 2009	10	350,000,000	3,500,000	173,771,400	1,737,714	Type D Preferred Shares through Private Placement for Cash Capital Increase at \$ 157,800 (Note 3) Corporate Bond Transfer to Shares at \$ 344,320	—	(註 2)
January 2010	10	350,000,000	3,500,000	174,080,280	1,740,803	Corporate Bond Transfer to Shares at \$ 3,089	—	(註 4)
May 2010	10	350,000,000	3,500,000	200,310,280	2,003,103	Type E Preferred Shares through Private Placement for Cash Capital Increase at \$ 262,300 (Note 6)	—	(註 5)
May 2013	10	350,000,000	3,500,000	192,420,280	1,924,203	Type D Preferred Shares through Private Placement for Capital Decrease at \$ 78,900.	—	(註 7)
November 2013	10	350,000,000	3,500,000	224,233,005	2,242,330	Earning Transferred to Capital at \$ 110,810 Corporate Bond Transfer to Shares at \$ 207,317	—	(註 8)
May 2004	10	350,000,000	3,500,000	225,297,094	2,252,971	Corporate Bond Transfer to Shares at \$ 10,641	—	(註 9)
September 2014	10	350,000,000	3,500,000	232,024,084	2,320,241	Capital Surplus Transfer to Shares at \$ 67,270	—	(註 10)
November 2014	10	350,000,000	3,500,000	232,240,297	2,322,403	Corporate Bond Transfer to Shares at \$ 2,162	—	(註 11)
May 2015	10	350,000,000	3,500,000	234,956,513	2,349,565	Corporate Bond Transfer to Shares at \$ 27,162	—	(註 12)
April 2017	10	350,000,000	3,500,000	254,956,513	2,549,565	Shares via Cash Capital Increase at \$ 200,000	—	(註 13)
August 2020	10	350,000,000	3,500,000	254,517,513	2,545,175	Capital Decrease at \$ 4,390	—	(註 14)
February 2021	10	350,000,000	3,500,000	279,517,513	2,795,175	Shares via Cash Capital Increase at \$ 250,000	—	(註 15、註 16)

Note 1: Approved per 16 March 2009 Letter No. Jing-Shou-Shang-09801048520.

Note 2: Approved per 20 July 2009 Letter No. Jing-Shou-Shang-09801168680.

Note 3: On July 30, 2009, a cash capital increase at \$ 157,800,000 was made through issuance of preferred shares through private placement, with the total amount of private placement at NTD \$ 102,570,000.

Note 4: Approved per 29 January 2010 Letter No. Jing-Shou-Shang-09901019460.

Note 5: Approved per 14 May 2010 Letter No. Jing-Shou-Shang-09901099780.

Note 6: May 14, 2010, a cash capital increase at \$ 262,300,000 was made through issuance of preferred shares through private placement, with the total amount of private placement at NTD \$ 236,070,000.

Note 7: Approved per 15 May 2013 Letter No. Jing-Shou-Shang-10201086560.

Note 8: Approved per 27 November 2013 Letter No. Jing-Shou-Shang-10201235950.

Note 9: Approved per 21 May 2014 Letter No. Jing-Shou-Shang-10301093110.

Note 10: Approved per 30 September 2014 Letter No. Jing-Shou-Shang-10301198260.

Note 11: Approved per 19 November 2014 Letter No. Jing-Shou-Shang-10301238140.

Note 12: Approved per 1 May 2015 Letter No. Jing-Shou-Shang-10401062640.

Note 13: Approved per 11 April 2017 Letter No. Jing-Shou-Shang-10601042200.

Note 14: Approved per 21 August 2020 Letter No. Jing-Shou-Shang-10901161830.

Note 15: Approved per 8 October 2021 Letter No. Financial-Supervisory-Securities-Corporate-1090359334.

Note 16: Placement extension with a period of 3 months is approved per 17 December 2020 Letter No. Financial-Supervisory-Securities-Corporate-1090377615.

#### 2. Types of Shares

Unit: Share

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Shares	279,517,513(Listed)	70,482,487	350,000,000	-

### 3. Information Related to Shelf Registration

Type of Securities	Expected Quantity Issued		Quantity Issued		Issuance Purpose and Expected Benefits of the Issued Portion	Expected Issuance Period for the Unissued Portion	Remarks
	Total Number of Shares	Approval Amount	Number of Shares	Price			
—	—	—	—	—	—	—	—

### 4. Shareholder Structure

Shareholder Structure	Structure Quantity Government Institution	Banking Institutions	Other Legal Persons	Individuals	Foreign Institution or Foreigners	Total
Quantity						
Number of R&D Personnel	0	47	216	37,636	171	38,070
Number of Shares Held (Share)	0	39,607,127	56,633,949	147,536,170	35,740,267	279,517,513
shareholding ratio (%)	0.00	14.17	20.26	52.78	12.79	100.00

Note: Primary exchange (or OTC) companies and emerging stock companies shall disclose their proportion of shareholding by Chinese capitals; “Chinese capitals” refer to persons, juristic persons, groups, other institutions in Mainland China or other companies engaging in investments at a third region, as provided in Article 3 of the Regulations Governing Permit to Investments in Taiwan by Mainland Chinese Persons.

### 5. Dispersion of Equity Ownership

#### Common Shares

April 8, 2021 (par value NT\$10 per share)

Shareholder Ownership	Number of Shareholders (People)	Number of Shares Held (share)	Shareholding Ratio (%)
1 ~ 999 Shares	15,647	1,277,287	0.457
1,000 ~ 5,000 Shares	19,018	33,284,795	11.908
5,001 ~ 10,000 Shares	1,798	13,318,403	4.765
10,001 ~ 15,000 Shares	561	6,835,258	2.445
15,001 ~ 20,000 Shares	254	4,534,140	1.622
20,001 ~ 30,000 Shares	252	6,174,041	2.209
30,001 ~ 40,000 Shares	131	4,501,978	1.611
40,001 ~ 50,000 Shares	78	3,508,405	1.255
50,001 ~ 100,000 Shares	143	10,037,712	3.591
100,001 ~ 200,000 Shares	69	9,612,407	3.439
200,001 ~ 400,000 Shares	38	10,725,643	3.837
400,001 ~ 600,000 Shares	23	11,083,092	3.965
600,001 ~ 800,000 Shares	7	4,800,623	1.717
800,001 ~ 1,000,000 Shares	9	8,502,768	3.042
More than 1,000,001 Shares			54.137
Total			100.00

### 6. List of Major Shareholders

April 8, 2021 (Unit: Share)

Shares Name of Shareholder	Number of Shares Held (share)	Shareholding Ratio (%)
Cathay Life Insurance Co., Ltd.	16,946,039	6.06%
Central Investment Co., Ltd.	11,985,241	4.29%
Chien-Zhan Co., Ltd.	11,257,945	4.03%
Fu, Di-Chen	10,586,699	3.79%
Central Motor Co., Ltd.	7,398,108	2.65%
Chunghwa Post Co., Ltd.	7,228,524	2.59%
Kao Fong Machinery Co., Ltd.	7,066,239	2.53%
Weng, Qing-Biao	5,870,042	2.10%
New Labor Pension Fund	4,496,357	1.61%
Sheng, Kuo-Jung	3,957,867	1.42%

7. Market Price per Share, Net Value, Earnings and Dividend Information within the Most Recent Two Years and up to the Date of Publication.

Unit: NTD; Thousand shares

Item \ Year		2019	2020	Current Year up to April 30, 2021 (Note8)
Market Price per Share (Note 1)	Highest	124.50	130.00	130.00
	Lowest	84.10	65.90	102.00
	Average	110.53	100.08	115.24
Net Value per Share (Note 2)	Before Distribution	25.76	24.96	31.05
	After Distribution	23.76	Note9	Not Applicable
Earnings per Share	Weighted Average Number of Shares (Attributable to Common Shares)	254,957 (Thousand shares)/Before Dilution 255,143 (Thousand shares)/After Dilution	254,625 (Thousand shares)/Before Dilution 254,743 (Thousand shares)/After Dilution	270,629 (Thousand shares)/Before Dilution 270,693 (Thousand shares)/After Dilution
	EPS(Note 3)	2.55/Before Dilution 2.54/After Dilution	1.12/Before Dilution 1.12/After Dilution	0.20/Before Dilution 0.20/After Dilution
Dividend per Share	Cash Dividend		2.00344966	Note 9
	Bonus Shares	Stock Dividend from Retained Earnings	-	Note 9
		Stock Dividend from Capital Surplus	-	Note 9
	Cumulative Undistributed Dividend (NTD Thousand)(Note 4)		-	-
Analysis on RoE	Price-Earnings Ratio (Note5)		43.35	89.36
	Price to Dividend Ratio(Note6)		55.17	Note 9
	Cash Dividend Yield (Note 7)		1.81	Note 9

\* Where there is dividend distribution through capital increase transferred from Earnings or Capital Surplus, the market price and cash dividend information that is retroactively adjusted according to the number of shares issued shall be disclosed.

Note 1: List the highest and lowest market price for common shares of each year, and calculate the annual average market price by transaction values and volumes of each year.

Note 2: Please adopt number of shares issued at the end of the year as basis and list based on the distributions as resolved by the shareholders' meeting in the upcoming year.

Note 3: Where retroactive adjustment is required due to bonus shares and the like, the EPS before and after adjustment shall be listed.

Note 4: Dividend. In case the undistributed dividend may be accumulated to the years with profits as provided by equity securities issuance terms, the cumulative undistributed dividend up to the current year shall be disclosed respectively.

Note 5: Price-Earnings Ratio = Average Close per Share of the Year/EPS.

Note 6: Price to Dividend Ratio = Average Close per Share of the Year/Cash Dividend per Share.

Note 7: Cash Dividend Yield = Cash Dividend per Share/Average Close per Share of the Year.

Note 8: Net value per share and EPS shall be listed with information of the most recent quarter as audited (reviewed) by CPAs up to the date of annual report publication; other columns shall contain the information of the current year up to the date of annual report publication.

Note 9: Earnings Distribution is yet to be adopted by the shareholders' meeting.

8. Company Dividend Policy and Implementation Thereof

(1) The dividend policy set forth in the Articles of Incorporation:

The Company's dividend policies intend to adopt the following approach: In consideration of the capital needs of the industry and for a sound financial structure, as well as in coordination with business growth, the Board of Directors of the Company consider the profitability and the original operational needs of the Company before proposing the Earnings distribution, and the total amount of shareholder dividends as included in the earnings distribution by the Board of Directors shall be between 30% and 80% of the

earnings distributable at the current year, in which the cash dividend shall not be less than 20% of the total shareholders' dividend.

- (2) Dividend distribution to be proposed to the shareholders' meeting:
  - A. The Board of Directors of the Company made a resolution on earnings distribution for the fiscal year of 2020 on March 17, 2021, which proposes cash dividends of NT\$234,794,711, along with cash dividends of NT\$72,674,554 from capital surplus.
  - B. The share distribution/interest distribution rate is calculated on the basis of the total number of outstanding shares at 279,517,513 shares; the actual amount distributable for every 1000 shares held is calculated based on the number of shares actually issued and outstanding on the ex-rights/dividend dates. In this case of earnings distribution, in case there are variations to the Company's distributable number of shares [refers to number of convertible shares including convertible corporate bonds or convertible preferred shares or employee stock option certificate], resulting in corrections due to variations to interest distribution proportion for the shareholders' share distribution, the Board of Directors under full authorization by the shareholders' meeting is proposed.
  - C. The Chairman under authorization shall set forth the ex-dividend date after the resolution by the shareholders' meeting. This cash dividend will be distributed in cash in the unit of NTD (portions lower than NTD 1 will be round off) by the Company; Fractional shares lower than NTD 1 will be recognized as other income of the Company.
- (3) There is no expected event of major variations to dividend policies in the Company.
9. The effect of dividend distributions contemplated for the current fiscal year on company operating performance and EPS: Not Applicable.
10. Employees' Bonus and Directors' Compensation

- (1) In accordance with Articles of Incorporation of the Company, after deducting accumulated losses from the current year's profit, if there is a profit, the Company shall set aside no less than 2% as Employees' Compensation, distributed in shares or cash as resolved by the Board of Directors. Qualification requirements of employees, including the employees of parents or subsidiaries of the company meeting certain specific requirements, entitled to receive shares or cash; the Company may, based on the amount of the above profit, distribute an amount not more than 5% as Director's compensation. Employee compensation and Director's compensation distribution shall be reported to the shareholders meeting. However, the loss shall have been covered before distributing Employees' Compensation and Directors' compensation in proportion to the preceding paragraph.
- (2) The Company's 2020 Employees' Compensation and Directors' Compensation are estimated as follows:

Distribution Items	Amount
Employees' Compensation (Cash)	6,716,248
Directors' Compensation (Cash)	3,521,250
Total	10,237,498

- (3) Proposals on Distribution of Employees' Compensation 及 Directors' Compensation as adopted by the Board of Directors:  
As per profit in 2020 and estimated at 2.05% and 1.07% respectively, the Board of Directors has resolved to distribute Employees' Compensation at NTD 6,716,248 and Directors' Compensation at NTD 3,521,250 in cash.
- (4) Actual Distribution of the Employees' Bonus and Directors and Supervisors' Compensation in the Preceding Year:

Distribution Items	Amount
Employees' Compensation (Cash)	16,312,346
Directors' Compensation (Cash)	7,548,690
Total	23,861,036

On May 14, 2020, the Board of Directors have resolved that the Company's 2019 Employees' Compensation is consistent with the amounts as stated on the 2019 Financial Statements; however, as the Group experienced a downturn in orders as impacted by COVID-19, to fulfill the Company's operational capital, it was therefore adopted that an

NTD 2,000,000 is reduced for 2019 Directors' Compensation, resulting in adjusted Directors' Compensation at NTD 7,548,690.

# 11. Share Repurchases

The Company's Buyback of Treasury Shares is implemented as follows:

Buyback Period	First in 2020
Board of Directors Resolution Date	2020/03/26
Buyback Purpose	Maintaining Company Credit and Shareholders' Equity
Buyback Duration	2020/3/27~2020/4/24
Price Interval for Buyback	NTD 60~90 per Share
Type of Shares Bought Back and Their Quantities	439,000 Shares
Amount Represented by the Shares Bought Back	NTD 35,009,873
Ratio of Number of Shares Bought Back to Estimated Buyback (%)	0.17%
Number of Shares with Cancellation Conducted and Transferred	439,000 Shares
Cumulative Number of Shares of the Company Held	0 Shares
Ratio of Cumulative Number of Shares of the Company Held to the Total Number of Shares Issued (%)	0%

(II) **Issuance of Corporate Bonds: No such occurrence in the Company.**

(III) **Issuance of Preferred Shares: No such occurrence in the Company.**

(IV) **Issuance of Global Depository Receipts: No such occurrence in the Company.**

(V) **Issuance of Employee Stock Options and Restricted Employee Shares: No such occurrence in the Company.**

(VI) **Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: No such occurrence in the Company.**

(VII) **Implementation of Capital Allocation Plans: 2020 Issuance of New Shares through Cash Capital Increase.**

## 1. Plan Item and Progress of Use:

Unit: NTD Thousands

Plan Item	Estimated Completion Date	Total Amount of Capital Required	Expected Progress for Use of Funds	
			2020	2021
			Q4	Q1
Repaying Bank Borrowings	Q1 2021	2,250,000	1,500,000	750,000

## 2. Implementation Status

Unit: NTD Thousands

Plan Item	Implementation		2020 Q4	2021 Q1	Reasons for Advance or Lagging Progress and Improvement Plan
Repaying Bank Borrowings	Amount Used	Estimated	1,500,000	750,000	In 2020 issuance of common shares through cash capital increase, a total of NTD 2,250,000 Thousand was raised, and the stock price for the raised amount was fully collected on February 1, 2021 and used in repaying Bank Borrowings in February and March of the same year, with repayment receipt and slip obtained. The plan of this fundraising has been fully implemented.
		Actual	0	2,250,000	
	Implementation Progress (%)	Estimated	66.66	33.34	
		Actual	0	100	

3. Reinforcing Debt Service Ability and Improving Financial Structure.

Item \ Year		Before this Fundraising (Q2 2020)	Completed in Implementation of this Plan (2021Q1)
Financial Structure	Ratio of Liabilities to Assets	64.05	52.46
	Ratio of Long-Term Capital to Property, Plant and Equipment	110.37	130.82
Debt Service Ability	Current Ratio	94.62	143.64
	Quick Ratio	52.94	92.82

This fundraising has received full stock prices on February 1, 2021 for collection of full funds, followed by repaying bank borrowings in Q1 2021; should the estimated repayment of amount and the current financing interest rates of various banks be estimated, it is expected that interest expenses can be reduced by approximately NTD 19,200 Thousand each year, which is of help in facilitating flexibility of use of capital while avoiding the erosion of the Company's profit upon interest rates raise and has a positive impact on the profitability of the Company, furthermore improving its liquidity and reducing its operational risks.



## V. Operational Highlights

### (I) Business Content

#### 1. Scope of Business:

##### (1) Main Business Contents of the Business Operated

- A. Other Transport Equipment and Parts Manufacturing.
- B. Mechanical Equipment Manufacturing.
- C. Other Machinery Manufacturing.
- D. Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
- E. Motor Vehicles and Parts Manufacturing.
- F. Bicycles and Parts Manufacturing.
- G. Motor Vehicles and Parts Manufacturing.
- H. Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- I. Electronics Components Manufacturing.
- J. Wholesale and Retailing of Hardware.
- K. Wholesale and Retailing of Construction Materials.
- L. International Trade.
- M. Medical Materials and Equipment Manufacturing, Wholesale and Retailing.
- N. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### (2) Ratio of Main Products in Operations

###### 2020 Ratio of Main Products in Operations

Product Name	Percentage %
Motorcycle Gears and Axles	5.23
Automotive Gears and Axles	89.01
Others	5.76
Total	100.00

##### (3) Items for Current Products and Services of the Company

- A. Gears and Axles for Motorcycles.
- B. Gear shaft, gearbox parts, differentials, torque conversion system, etc. for heavy trucks.
- C. Parts for Reductive Drives.
- D. Epicyclic Gearing Sets for CVT.
- E. Transmission Gear and Axles for Motorcycles.
- F. Oil Pump Gears and Axles.
- G. ATV, mobility scooters and motorized wheelchairs.
- H. Gear Hobbing Machine, beveler, Gear Hobbing Machine, gear mesh measuring machine, servo press and other automation CNC equipment, etc.
- I. Components for Reductive Gears of Electric Cars.
- J. Parts for Hydraulic Systems of Satellites.
- K. Electromechanical system for Electric Cars.

##### (4) Items of New Products and Services Under Planned for Development

The Company has in recent years been making efforts in the orientation of product differentiation and market segmentation, committed to the development of products at high unit price and with high added value, while continuing in contributions of the development of green energy car-related components to maintain its competitive advantage in the market and stabilize number of customer orders. To respond to industrial upgrading and expand business, the Company has also successively purchased high-end precision machinery and detecting instruments, cultivated R&D and design talents, engaged in new product development, and shortened the development time to meet customer needs.

The R&D highlights of this year is on extending the R&D results of the preceding year, conducting R&Ds of high precision gears and relevant parts and components for various vehicles green-energy and environmental-friendly cars. The estimated products under R&D are as follows:

- A. Parts and Components for US Automotive Auto Transmission.
- B. Parts and Components for US Automotive Torque Converter.
- C. Parts and Components for New Transmissions of High-End Motorcycles.

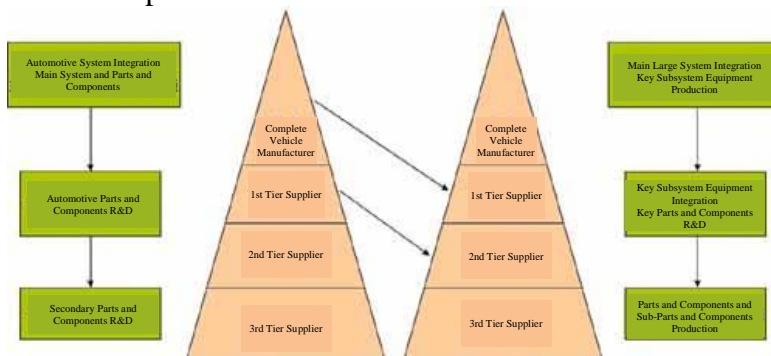
- D. Oil Pump Gear for US Industrial Machines.
- E. Parts for Gearboxes of US Agricultural and Construction Machinery.
- F. US Patented Limited-slip Differential.
- G. Parts and Components for European CVTs.
- H. Parts and Components for Air Compressors in Brake Systems for Trucks.
- I. Gear Hobbing Machine, shaving machines and beveling machines.
- J. Various ATV, mobility scooters and medical aid scooters.
- K. Parts and Components for reductive drive of US Electric Cars and their assembly.
- L. Bevel gears, and assembly for bevel gear differentials.
- M. Epicyclic Gearing Sets for Gearbox of Hybrid Cars.
- N. New CNC Gear Hobbing Machines (outer radius 400mm), multi-functional gearing measurer, gear lapping machine (outer radius 260mm) and other gear intelligence production integration technology.
- O. Parts and Components for Aeronautics and Space Industry.

## 2. Industry Overview

### (1) Status Quo and Development of Industry

The Company is a professional manufacturer of transmission components for automobiles and motorcycles, with main scope of business in the manufacturing, processing and sales of gears, shafts and various transmission components for automobiles, trucks, motorcycles, agricultural machinery and forklifts, etc.

As far as the automobile and motorcycle component industry structure is concerned, the part and component industry and the automobile and motorcycle industry form a typical synergy structure, which central vehicle manufacturer outsource the parts and components to the Tier 1 supply plants, and the Tier 1 supply plants will then subcontract the production and manufacturing of parts and components to Tier 2 and Tier 3 automotive parts suppliers, which then becomes a multi-level labor division structure. In addition, divided by sales subjects, the manufacturers can be divided into original equipment manufacturer (OEM), original design manufacturer (ODM), original equipment supplier, (OES) and after-market (AM), therefore, automotive and motorcycle parts and components industry are the critical upstream industry for complete vehicle manufacturers for automobile and motorcycles, showing a close relationship between the two tiers.



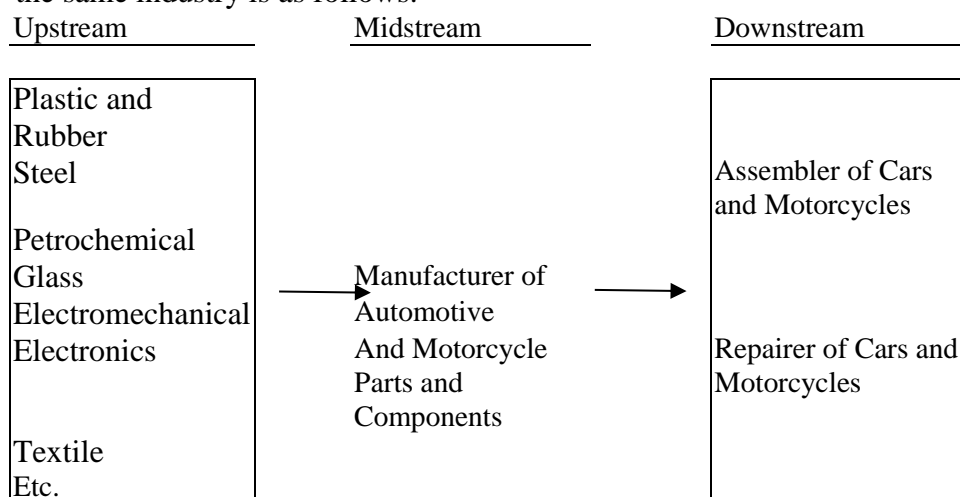
(Source: ITRI)

The automobile and motorcycle industry is one of Taiwan's important manufacturing industries, with about 2,500 companies engaged in the manufacture of parts and components related to the automobile and motorcycle industry, among which contain a majority of manufacturers having developed flexible manufacturing technologies for production of parts in multiple types at small quantities through partial process automation, with the quality also in line with international standards. However, due to the smaller scale of the Taiwanese market and the lack of economies of scale in production, the market for Taiwanese parts and components manufacturers in cooperation with complete-vehicle OEM production and distribution is relatively limited, thereby diminishing the profitability of parts and component manufacturers. Therefore, domestic automobile parts and component manufacturers turn to the international market, in which the Companies may enter the global supply chain of OEM parts for international car manufacturers by obtaining certification from major international manufacturers. At present, the trend of international labor division in the global automobile and motorcycle manufacturing industry is increasingly evident, plus foundry orders are

continuously released by international manufacturers under cost considerations, furthermore causing a spike in demands for foreign procurements. Therefore, for all automobile and motorcycle component factories, they ways of becoming a trading counterpart of major international manufacturers has become an important business goal.

(2) The relevance of the industry's upstream, midstream and the downstream

The Company is affiliated with the upstream industry of automobile and motorcycle industry, mainly manufacturing products including gears and shafts for automobile and motorcycle transmission systems, and the relevance with the upstream, midstream and downstream within the same industry is as follows:



(3) Product Development Trend

The main sales markets of automobile and motorcycle parts and components are America, Europe and Asia, while major international manufacturers are mostly having their layouts in North America and Europe. Due to the vehicle safety requirements of international manufacturers, strict certification standards have been promulgated, making it uneasy for general manufacturers to penetrate the component supply chain. Domestically produced parts and components may not gradually increase their market shares in the supply chain of major international automobile manufacturers if without the competitive price and good quality. At present, foreign competition are originated from America, Japan, and Korea, among which American and Japanese manufacturers are relatively less competitive due to their high cost even with advanced R&D technologies; as for Korean manufacturers, they remain inferior to domestic manufacturers in terms of processing technology, product quality and resilience, having little influence in the supply chain of international manufacturers; therefore, domestic manufacturers still have considerable room for development in the automotive and motorcycle parts and components market.

In recent years, a fierce competition in the automotive industry in Europe and the United States can be witnessed, and the requirement of cost rationalization has been one of the important factors for its sustained survival. In addition, the supply and demand from China has become an increasing proportion of the world, and the quality has been gradually improved. Our industry will only obtain the critical keys to sustainable management of enterprises when having ongoing increase and facilitation in high-tech product R&D, quality and efficiency.

(4) Market Competition Situation

The Company has obtained ISO/TS16949, ISO14001, ISO45001 and AS9100D international certifications, is a professional manufacturer specialized in transmission systems and publicly traded in stock market, and is currently the professional manufacturer of transmission systems with highest sales proportion to European and American OEMs. Credited from the Company's competitive edges for its state-of-the-art equipment, strongest R&D capability, and the most stable product quality in the domestic automobile and motorcycle gear industry, yielding it a significant lead in the industry in terms of turnover and production scale.

3. Technology and R&D Overview

(1) Technical level and R&D of the business

The Company is a professional manufacturer of transmission gears and parts and components for automobile, motorcycle and mechanical products, with extreme valuing of product

research and development and R&D team. As the Company has adopted relevant technology through self-development since its establishment, products of the Company are not only cost-effective but also have a comparative advantage in the development or modification of subsequent products. The Company has worked with Company A, a major large truck gearbox assembler from the US, in development of engine rear-wheel drive shafts, shift forks, and sliders for big trucks; with US Company E in joint research and development of heavy-duty truck differentials; with American Company B in synchronous R&D of torque conversion system components; with US Company C in R&D of Oil Pump Gears; with Italian Company B in R&D of mechanical reducer gear sets; with British Company T in synchronous R&D of heavy-duty motorcycle transmissions components; and with Belgian Company P in development of CVT system components; with France Company K in development of air compressor components; with Italy Company P in reducer components; with US electric car Company T in transmission components; with Austrian Company B in gearbox components; with Germany Company B in electric motorcycle components, and has seized many other successful R&D achievements.

(2) R&D Personnel and Their Education Background and Working Experiences

The Company has 63 R&D personnel up to the date of annual report publication, accounting for 6.42% of the total employees of the Company. All R&D staff are with credentials of bachelor or above, while most of the main supervisors have R&D experience in related fields, forming the premium human resources composition of the Company.

(3) R&D Expense in the Most Recent Year

Unit: NTD Thousands

Year	R&D Expense	Operating Revenue	Ratio of R&D Expense to Revenue
2020	108,631	5,211,042	2.08%
Q1 2021	31,907	1,572,673	2.03%

(4) Technology or Products Successfully Developed in the Most Recent Year

The Company's Research Results of the Most Recent Year is as follows:

Year	Product Name
2019	Reductive Drive Set and Gears for Electric Cars Gearbox Assembly for Motorcycles Gearbox for Automobile Parts of Torque Conversion System for Automobile Electric Scooter LSD Assembly
2020	Reductive Drive Set and Gears for Electric Cars Gearbox Assembly for Motorcycles Parts of Torque Conversion System Sets and Differential Sets of Automobile Parts and Components of Aeronautics and Space Industry.
Q1 2021	Reductive Drive Set and Gears for Electric Cars Gearbox Assembly for Motorcycles Parts of Torque Conversion System Sets and Differential Sets of Automobile Parts and Components of Aeronautics and Space Industry.

4. Long- and Short-Term Business Development Plans

(1) Short-Term Plans

A. Implementation of IATF/16949 international quality assurance system and ISO14001, ISO45001 environmental safety and health system.

To further implement the quality assurance system, improve the business characteristics, enhance product quality and efficiency, reduce costs and strengthen competitiveness, the Company establishes a synergy system centered by the Company, strengthening total quality management (TQM) activities, implementing lean productions (TPS), Quality System Basic (QSB), etc., striving to become an international supplier.

The Company strives to implement ISO 14001 and ISO45001 environmental safety and health certification systems, improve workplace environmental safety and health, and respond to environmental protection, energy conservation and carbon reduction issues, and has obtained ISO 14064 greenhouse gas inventory and ISO 16047 carbon footprint certifications.

- B. Continuing to develop European and American markets and take all-out efforts to enter the field of international electric vehicle parts and components to expand to international market.

The Company made its first attempt to develop parts and components for the American automobile market in 1996, ending up with high recognitions by major American central automobile assembly plant and signing of supply contract that allowed the Company to enter the vast after-sales service market. Following the approval of the sales network, the Company has successively received OEM orders. Subsequently, with the successful model for developing the American automobile market, the Company then expanded its business to the European market to establish an international marketing network. The Company has now opened up the United States, Europe and China's automotive parts and components market, accounting for more than 90% of the Company's total sales.

In addition, compared with the development of the market for the fuel-powered vehicles, the Company values more to the booming trend of global electric vehicles in the future, and actively develops business opportunities amongst the transition by major international car manufacturers to electric vehicles, such as European, Japanese and Chinese markets, to implement the layout and decentralization of international sales in consideration of market and regional risks. The development of electric vehicle parts and components in various countries is indeed another battlefield for the Company's future product marketing strategy.

- C. Enhancing production efficiency and increasing productivity

Owing to the gradual expansion of the Company's scale of operations, in 2003, the Company entered the Central Taiwan Science Park, followed by official inauguration of the CTSP plant in 2006. In 2014, the Company expanded its production with construction of Dali 3<sup>rd</sup> plant in 2014, and built the new Dapumei Plant in Chiayi in 2015, which was joined by the expanded 2<sup>nd</sup> plant in 2017 and 3<sup>rd</sup> plant in 2019 (at land S/N 91 of Dagong 1<sup>st</sup> Section,); meanwhile, after obtaining the license in April 2021, the Company promoted synergy with the newly purchased automated machinery and equipment and detecting instruments and other advanced technologies, with active planning on multiple sets of automated production lines as well as an intelligent plant (intelligent CPS system) in the Chiayi plant, to improve the Company's production productivity and efficiency.

- D. Enhancing R&D capabilities and strengthening international competitiveness

In response to the rapidly increasing number of commission cases for the development of new products abroad, the Company, to its R&D personnel, on the one hand strengthens its professional training for R&D personnel to acquire new knowledge and on the other hand implements the new product R&D regulations of IATF/16949 to shorten the R&D time and improve the mass production process, To enhance product quality, to reduce production costs, and to strengthen corporate competitiveness. In addition, the Company has completed the joint R&D of A+ Industrial Innovation R&D Program with the ITRI, National Tsinghua University, Datong University, Kao Fong, itec Systems Inc., AutoPlusTek Automation, etc., which can significantly improve the Company's R&D capabilities, and can be of help to the Company's upgrades of patents at current state to high value-added systematic products.

- E. Profitability Product transition and upgrading to enhance profitability

Production of motorcycles and other gears and shaft parts currently accounts for 27.21% of the total production amount of the Company, and 72.79% for automobile components. The Company strengthens cooperation with major international automobile manufacturers through international marketing activities. Due to the ferocious price competition of single parts, the Company has now transformed the production of systematic component products to increase the added value and competitiveness of the

products with a view to exit the vicious competition of single parts and to stabilize number of orders. The Company has been recognized by many well-known international manufacturers in Europe and the United States, which may continuously contribute to the Company's performance and profitability in the future.

(2) Long-Term Plans

A. Continuous product upgrade

In terms of product transformation and upgrade strategy, in addition to the development and manufacturing of transmission parts for the existing fuel-powered vehicles, the Company is actively transforming the development of reductive drive gear components for green-energy vehicles such as hybrid cars and electric vehicles; for various precision gear special machine tools, the development and application of such is also heading toward the energy-saving and safety norms; as for medical applications, the Company will focus on the development of health care assistive devices for the elderly, such as scooters, multi-functional medical assisted wheelchairs, etc. It is hoped that in the future, the Company can provide customers with all-round product planning, and inscribe professionalism and experience in each good, while conducting mass-production to create a broader product space as well as improving profitability and strengthening international competitiveness.

B. Marketing Strategy and Operation Plans

The European and American markets have always been the driving force in the development of the automotive industry and is an advanced and well-credited international market. Therefore, compared with European and American regions subject to high wages, automotive components and components of our nation are relatively competitive. At present, the Company in the European and American auto parts market has cooperated with major auto assembly center factories to open up marketing channels.

In recent years, with the development of the auto market and the growth potential of emerging markets in mainland China, the Company will utilize its European and American experience as a foundation to gradually expand in mainland China and emerging markets, and at the same time strengthen the R&D of high value-added systemic new products, expand sales in the European and American markets, establish own branding and accelerate the pace of internationalization.

C. R&D Plan

a. Strengthening the functions of the R&D team

We actively strengthen the organization and functions of the R&D team, fully promoting high-quality automobile and motorcycle transmission parts and components, and enhance the added value of products to increase profitability.

In the long run, the Company regards the transmission system as sales and distribution market of its final product production, actively collects various transmission system products and conducts market research, while penetrating the transmission system sector along with the goal of diversified operations. The Company currently has R&D capability in manual and automatic transmission gearbox module, and acquired the instances in collaborative development of electric vehicle reductive gearboxes, hoping to accelerate the schedule for commercialization and mass production to create a competitive niche for the Company.

b. Vertical Integration and Diversified Development of Products

For decentralization of the market meanwhile integrating the Company's R&D momentum, the Company will continue its upward development of precision CNC gear processing machines (such as shaving machines, beveling machines, gear hobbing machines), etc., to reduce the Company's future capital expenditures and expand product lines; while conducting downward developments of various electric scooters, electric medical assisted wheelchairs, etc., enabling a full utilization of related gear technology owned by the Company.

D. Production Automation

Following with the R&D function to improve productivity and production efficiency, the Company plans to build automated production lines gradually and purchase fully

automated and semi-automated machinery and equipment to reduce labor costs. The new plant in Dapumei, Chiayi is also equipped with automated production lines and detecting instruments, making it an intelligent plant. The Company remains introducing the latest machinery and equipment, such as central processing machines, high-precision grinders, conversion machines, laser cutting machines, high-frequency heat treatment and advanced detecting instruments, etc., ultimately achieving benefits of work force reduction and quality improvement.

## (II) Market and Production & Promotion Overview

### 1. Market Analysis

#### (1) Sales and Offering Regions for Main Items and Services

The Company mainly engages in the manufacturing and sales of gears, shafts and various transmission parts for automobiles, motorcycles, agricultural machinery, machine tools, etc., and currently supplies domestic automobiles and motorcycle manufacturers as well as automobiles, trucks, heavy machines assemblers in Europe, America, Asia and other regions. The main sales area for export is the United States. The sales are up to the main products in the 2 Most Recent Fiscal Years are as follows:

Unit: NTD Thousands

Year Region	2020		2019	
	Amount	Amount	Amount	Proportion (%)
America	5,416,443	77.45%	5,312,378	79.65%
Asia	608,116	8.70%	839,300	12.58%
Europe	969,287	13.85%	517,840	7.77%
Total	6,994,506	100%	6,669,518	100%

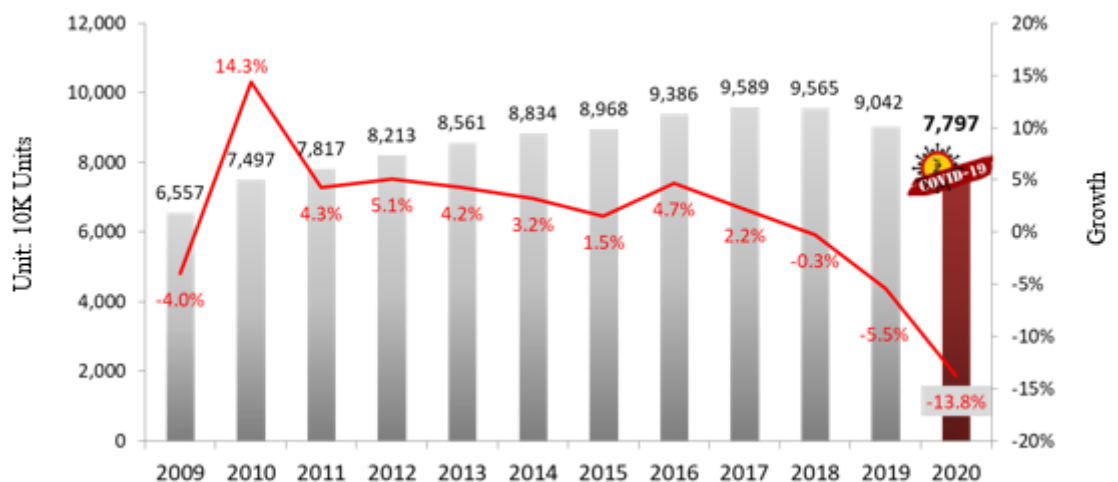
#### (2) Market Share

Motorcycle Gears and Axles produced by the Company in 2020 accounted for approximately 2.7% of the total output value of the domestic automotive parts and components market. In terms of Automotive Gears and Axles, the Company is currently the first publicly traded company in Taiwan exporting to OEMs overseas.

#### (3) Market Supply & Demand Status and Growth

The global automobile industry has faced many challenges in recent years, with the first impact featuring economic slowdown and trade conflicts between major countries, showing its first recession in ten years, followed by severe impacts of novel coronavirus pneumonia (COVID-19) pandemic. According to OICA statistics, the global auto market in 2020 has plummeted sharply by 13.8% to 77.97 million units. The changes in global auto market sales in recent years are shown in the figure below.

Figure 1. Changes in Sales in Global Automobile Market



Source: OICA , Organized by Vehicle Center

### **Korea stands out as the pandemic sweeps the global auto market**

The world's largest auto market, mainland China, took the first hit. After taking initiative in lockdown measures, its domestic auto market even declined by nearly 80% in February, followed by shortages and shutdowns in the parts and components supply chain. As the



development of pandemic becomes tardy in H2 of the year and plants gradually resumed its operations, coupled with the stimulus policy of vehicle purchase subsidy, the auto market sales gradually improved, recording an annual sale at 25.27 million vehicles (declined by 1.9%). United States, the second largest auto market, was also affected by the novel coronavirus pneumonia (COVID-19), resulting in a bleak sale in H1 2020. Albeit with the trend of regained sales in H2, the pandemic gradually escalated from November, resulting in the full-year sales failing to reach the level of 2019, with sales volume at 14.95 million units (a decline of 14.9%) recorded.

In Japan, the third-largest auto market, as the pandemic affected people's willingness, the full-year sales declined, of which contained the most drastic decline by nearly 50% in May. Fortunately, sales began to stabilize in H2 of the year under the control of the pandemic, however, sales at the ending of the year still fell below the 5-million-unit scale, ending up with 4.59 million vehicles (a 11.5% decline).

European countries such as Germany, France, UK, Italy and Spain are the regions hit the hardest by the pandemic. In addition to the ethnic characteristics of Western countries that make pandemic prevention difficult, the constantly mutating virus has repeatedly heated up the pandemic. Even with the stimulus measures to revive the automobile market, its effects were limited. Spain experienced the greatest impact, with 1.02 million units (a decline of 31.5%), while Germany, the country with least impact (3.22 units), also recorded a decline of 18.7%.

Among the major international auto markets, only South Korea showed growth and even more hit a record high. Such phenomenon can be attributed to two points: a. the South Korean government introduced a consumption tax reduction for new car purchases or trade-ins with the highest deduction from 5% to 1.5%, which effectively stimulated purchases; b. the Korean automobile industry is based on a sound supply chain, which the shortage of parts and components may be minimal and allowing the manufacturing momentum to be quickly restored after the pandemic became stabilized. The factors contribute to excellence of Korea amongst the bleak automotive industry.

Figure 2. Sales overview of important global markets in 2020

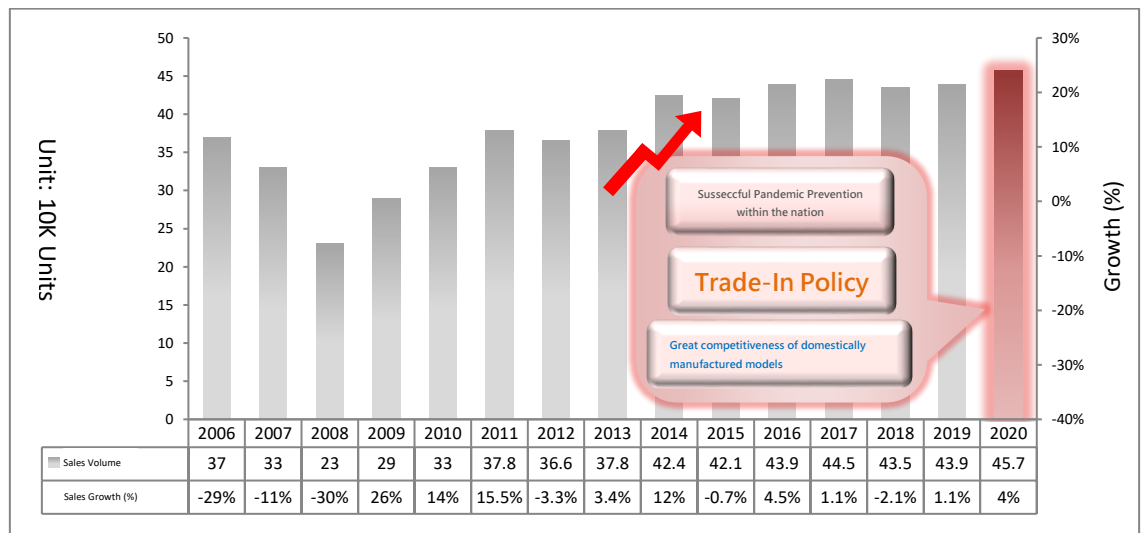


Source: Marklines, Organized by Vehicle Center

As for our nation, as the global auto market is hit hard, our auto market rose against the trend in such a harsh environment, and even set a new sales high in the past 15 years, mainly due to the three major factors of "national pandemic prevention achievement" and "goods tax subsidy policy for trade-in of vehicles" and "strong competitiveness of domestically produced models" that stimulate consumer confidence. The auto market sales in 2020 reached 457,435 units (a growth of 4%), becoming the most dazzling market outside of Korea. The domestic auto market sales in the past 15 years is shown as follows.

Figure 3. Domestic Vehicle Sales in 2006-2020



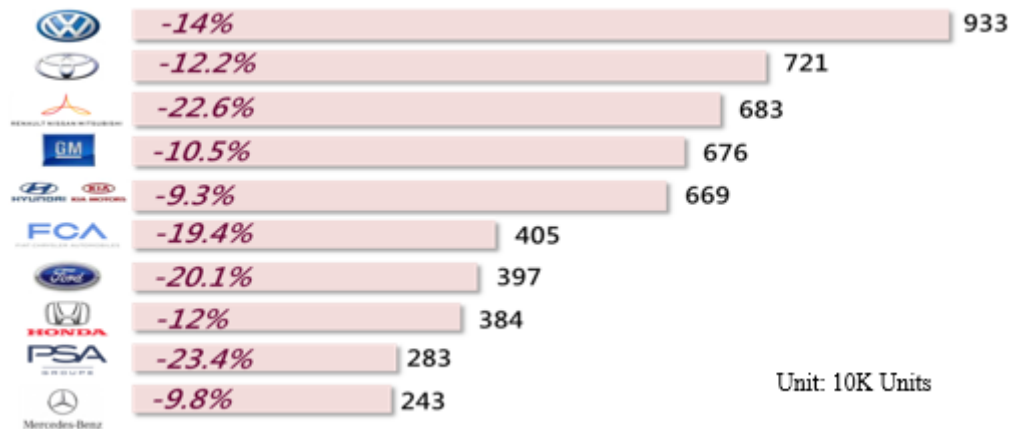


Source: Ucar, Organized by Vehicle Center

### Overview of Global Major Automakers

Top ten automakers all showed recession in 2020. Volkswagen Group suffered from the suspension of European and American plants. Coupled with the shortage of demand in the main sales markets in Mainland China and Europe, the Group's full-year sales recorded 9.33 million units (14% decline), allowing the Group to rank the top of the list; Toyota Group received shutdown of plants in North America and the reduction in consumption power during the pandemic prevention period, becoming the 1<sup>st</sup> runner up with a sale of 7.21 million vehicles (a decline of 12.2%); Renault-Nissan-Mitsubishi alliance was affected by the shutdown of French plants and Nissan's withdrawal from the Korean market, taking the third place with 6.83 million units (a decline of 22.6%). The fourth to tenth places are GM, Hyundai-Kia, FCA, Ford, Honda, PSA and Mercedes-Benz. The sales ranking of global automakers in 2020 is shown in Figure 4.

Figure 4. Global Automaker Sales Ranking in 2020



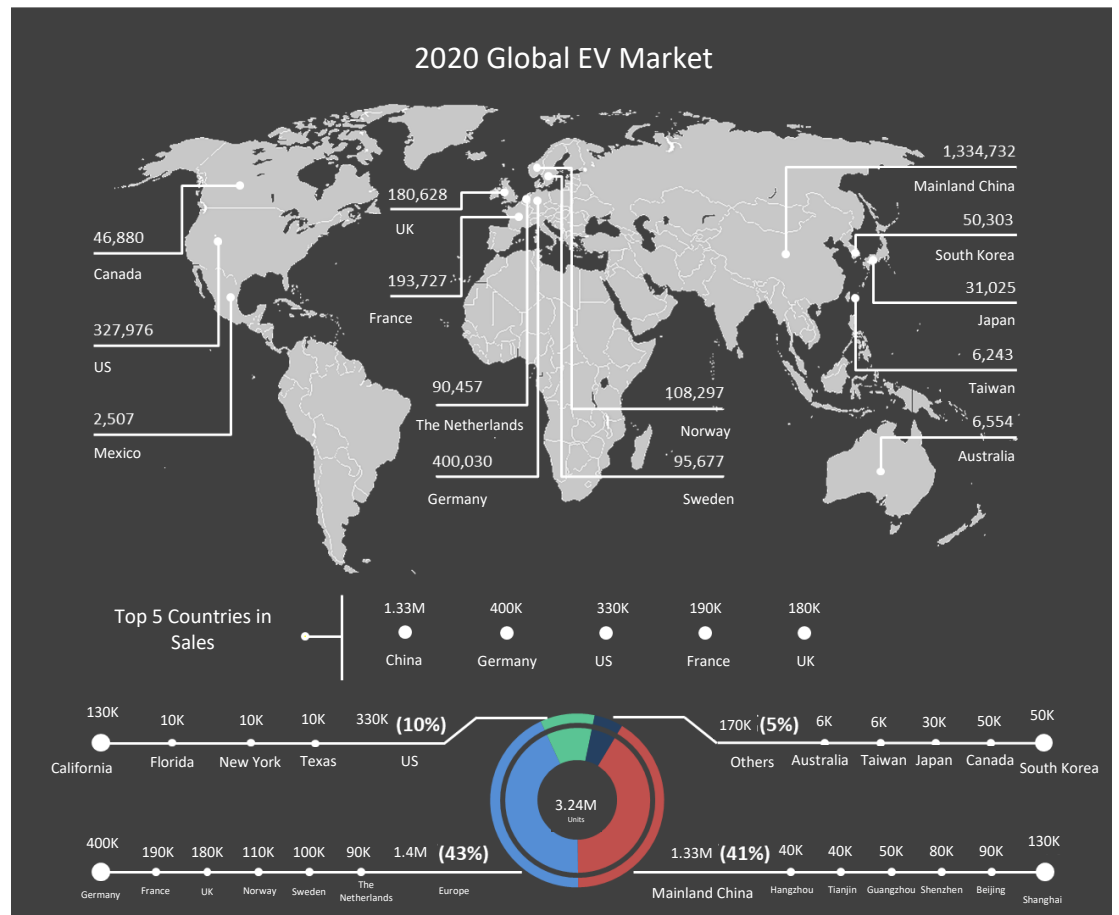
Note: This ranking only include light commercial vehicles and passenger cars; heavy commercial vehicles and buses are not included.

Source: Focus2Move, Organized by Vehicle Center

### Rapid Growth in Global Electric Vehicle Sales

In 2020, the global sales of electric vehicles were 3.239 million. Under the influence of the COVID-19 pandemic, although the global auto market declined by 13.9%, the sales of electric vehicles did not only retain its growth but also reached an annual growth reaching 46.6%. which may be resulted from the jointly promotion of electric vehicles accelerated by the government, automakers and emission regulations. The global electric vehicle market sales are as follows:

Figure 5. 2020 Global Electric Vehicle Sales



In terms of policy, as the economies have reached a consensus banning the sale of fuel-powered vehicles, such decision entails that only electric vehicles, fuel-cell vehicles and other environmentally friendly vehicles are eligible for sale and is a symbol of the elimination of fuel-powered vehicles, which is an intense and tough goal, as well as a critical pledge to transition to electric vehicles by nations.

With the wave of electrification sweeping the world, more than 20 countries have now proposed a schedule for banning the sale of fuel-powered vehicles, and have gradually advance the target year (such as United Kingdom, Japan). The countries with the aforesaid schedules are concentrated in the European regions with strong environmental awareness.

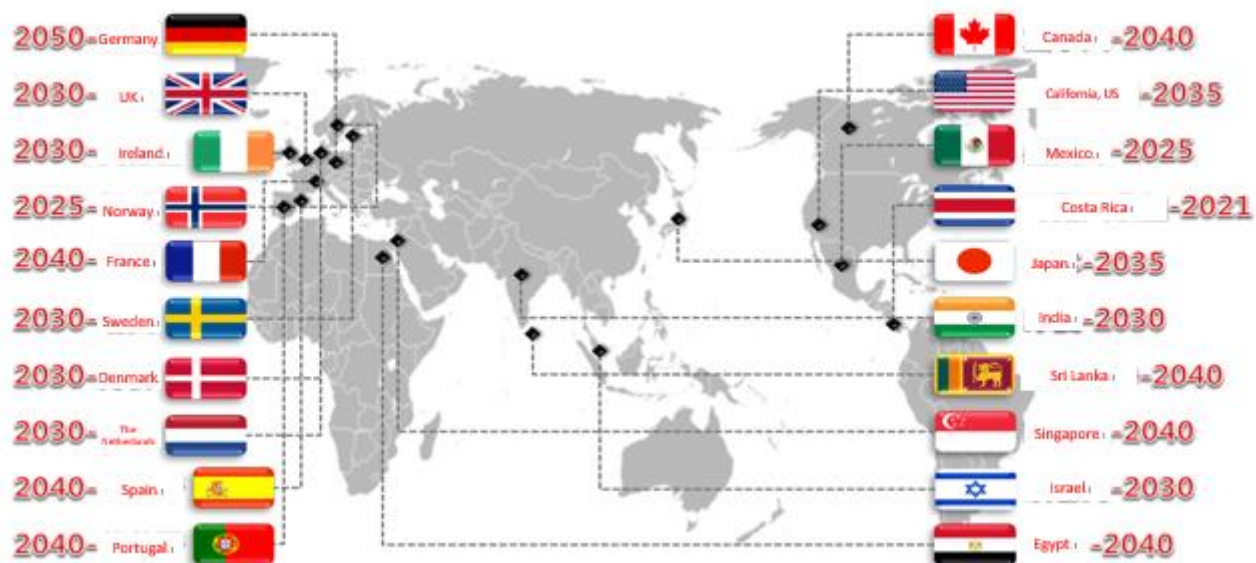


Figure 6. Schedules for Nations on Banning Fuel-Powered Vehicles

Source: International Energy Agency (IEA) report "Global EV Outlook 2020", The Climate Center, Press, Organized by Vehicle Center

In the strategy of the automakers, the first wave of models were proposed for launch in 2020, and it is expected that there will be a second wave of launches after 2025, which are mainly the introduction by slower-developing automakers and facelift 1<sup>st</sup>-wave models. On the other hand, some makes with preference of hybrid models over electric models in the early years, who had a tardier preparation in technical aspects (shared platform for EV), started its catchup with the forerunners via various methods.



Figure 7. Global Automakers EV Blueprint and Their Iconic Models

Source: Press, Organized by Vehicle Center

### **Tesla expands its global production layout to accelerate EV production momentum**

Tesla set a goal for its global sales at 500,000 units in 2020, and the final sales was 499,453, which almost met the target. The reason why Tesla can still deliver such a brilliant result despite the shutdown caused by the pandemic could result from layout of the Shanghai plant, which has not only succeeded in penetrating the cities in mainland China but also further exported to Europe to make up for the productivity gap. Tesla's keen senses has also observed the potential of the European market, as they decided to build an additional Berlin plant in Germany two months after the completion of their plant in Shanghai, which is positioned as the production base for Model Y; however, the situation in Europe was evident enough to refrain the automaker from replicating the amazing efficiency of the Shanghai plant in less than a year from planning to commissioning. After half a year of deforestation, water supply, permits and other disputes, the groundbreaking officially started in June 2020, and it is expected to be completed and put into operation in July 2021. On the other hand, further layouts are also being planned. Due to the strong demand for pickup trucks by domestic market in the United States, in March 2020, Tesla commenced site selection in the central region of United States and finally decided to build a plant in Austin, Texas, positioning it as a production base for Cybertruck and Semi. It was officially broken ground in July 2020 and is expected to be completed in May 2021.

### **The global electric vehicle industry will take flight and grow in this post-pandemic era**

Looking to the future, 2021 is not only the Year One for the "post-pandemic era" but also be the advent year for the EV sales boom in the field of vehicles. After all, in 2020, electric vehicles will grow against the trend at the rate of 46% under such circumstances where the global auto market is declining by 14%, and Europe, where the recession is the most severe, showed a strongest growth, proving that the development of the electric vehicle industry has reached a certain turning point. Even with the non-ideal circumstances, the previous technological development and product maturity have accumulated to a certain level, heading toward to the next stage, which is an inevitable phenomenon of "falling into places". The consumption and the power of electric vehicle purchases post-pandemic are worth looking forward to.

(4) Competitive Niche

A. Premium Product Quality

The Company attaches great importance to product quality. In addition to obtaining ISO 14001 certification ahead of its counterparts in the same industry, it has also obtained IATF/16949 quality assurance certification, becoming the first company in the domestic gear industry to obtain IATF/16949 quality certification. In addition, the quality of a motorcycle has a close relationship with the quality level of its parts and components. As the company has strict requirements on product quality, its product quality is highly acclaimed, and the Company has not received any major customer complaints in recent years.

B. Flexible production strategy and complete product specifications

In response to market needs, the Company not only produces gears and shafts for automobiles and motorcycles, but also produces gears and shafts for trucks, forklifts, agricultural machinery, industrial machinery, etc., and its production line features high mobility which can fully meet customer needs. All are made to expand market share and increase its competitiveness.

C. Strong R&D capabilities, complete deployment of professional talents, and leading development of high value-added products

The Company attaches great importance to the R&D of product, therefore employing R&D personnel whose education background, working experience and professional knowledge are the top-notch amongst the counterparts. The Company actively introduces advanced research and testing equipment and has successively cooperated with well-known American and European manufacturers in joint R&D of parts and components required by OEMs and after markets at current stage, evidencing the strong R&D capability of the Company.

D. Precision testing instruments and production machines

Automated machinery and equipment and precision testing instruments are effective instruments for the Company to take large international orders. Therefore, to improve product quality and reduce labor costs, the Company spares no effort in introducing high-performance, high-precision and automated machinery and detecting instruments to get itself equipped with capability to take large-scale orders. At the same time, the Company roots its technological independence, simultaneously developing precision gear processing machines and optical detecting instruments to seal the Company's position as a leading manufacturer of transmission parts and components.

E. Complementing various systems and persisting on sustainable operations

Compared with our auto and motorcycle gear counterparts who remain a small-scale or family-owned company, the Company is the first publicly traded company in the industry with the greatest scale in Taiwan, adhering to the management principle of "respect for professionalism, quality first, efficiency first, and customer satisfaction" and the quality policy of "high quality, efficiency, and zero defects" to establish a benign company image featuring sustainable management, composedness and down-to-earth quality.

(5) Favorable and unfavorable factors of development prospects and their countermeasures

A. Favorable Factors

a. Continued growth in market demand for electric vehicles

The global electric vehicle market is rising, and the demand for electric vehicles and motorcycles continues to grow. The mainland Chinese market is currently the single largest market in the world, meanwhile, the Company is the main exporter of domestic auto, motorcycle gear and shaft products, in addition, compared to others Asian suppliers, the Company is with advantages in language and product export, and the Company has deeply rooted in the Chinese automobile and motorcycle market for quite a long time, and has profound understanding and mastering in customer needs. Recently, China has promoted the green energy automobile policy. With the deep roots in the development of automotive transmission components for multiple years, the Company already has equipped with mass production and diversified product ordering capabilities, and the expected performance benefits will gradually develop.

- b. Establishing a good supply channel and developing domestic and foreign marketing networks
- The Company is currently a major subcontractor for the famous major manufacturers of large truck transmission assembly, differential, torque conversion system, oil pump Gears, reduction gears and others in the US. With the good reputation, stable delivery, and product quality retained for multiple years have been well received by customers. Affirmative. The Company has obtained ISO 14001 and IATF/16949 environmental and quality assurance system certifications, which furthermore helped the Company in enhancing the Company's international competitiveness. The Company has recently been committed to product upgrades and has achieved great results in the R&D of spare parts in the automotive industry, gaining popularity from European and American customers, therefore, with the increase in ratio of high value-added products, profitability of the Company is relatively improved.

c. Excellent R&D Technology

The Company has amongst its counterparts in the same industry the most advanced production equipment and detecting instruments, and its R&D capabilities are also superior to counterparts in the industry. At the same time, the Company has a strong R&D team with more than 60 R&D personnel who can rapidly develop products in response to customer needs, and such conduct has won customers trust as well as making the Company the top spot in the domestic automotive gear industry. The Company has had more than 50 years of gear production experience and has owned professional R&D technology that can meet customer needs, while developing large truck engine rear wheel drive shafts, Transmission shafts, differentials for heavy-duty trucks, torque conversion system components, oil pump gears, electric vehicle reductive drive gearboxes, etc. in joint R&D with well-known American manufacturers. In addition, the Company has also established cooperative relationships with many well-known European and American OEM manufacturers. The collaborative R&D technology is deeply trusted by customers across European and American countries.

B. Unfavorable Factors

- a. Products diversified in various types and produced in small quantities difficult to mass-produce for reduced manufacturing cost
- As the production of domestic automobile and motorcycle parts and components feature a diversification in types with smaller quantity in production, parts manufacturing costs are difficult to be reduced, furthermore influencing the price competitiveness of a single product.

Countermeasures:

- (a) Adjusting the production and sales/distribution structure of products and the procurement of raw materials, and strengthening the rationalization of production and the automation of machines and tools to reduce costs, increase productivity, and increase the production and sales/distribution of automotive parts and components year by year.
- (b) Having full grasps to the market, information and trends, and actively expanding international marketing channels to expand the scale of production and sales/distribution and reduce manufacturing costs.
- (c) Strengthening product R&D capabilities, and actively cultivating talents to respond to market variations under flexibility.
- (d) Seeking for multiple raw material suppliers to make inquiries and price comparisons to effectively reducing product costs.
- b. Smaller manufacturer scales, and ferocious competitions in price cutting
- There are many domestic automobile and motorcycle parts industries, among which contain numerous small and medium-sized gear manufacturers that cut prices for the goods supplied, resulting in fierce competition and illusions to customers.
- Countermeasures:



- (a) Fulfilling the implementation of IATF/16949 and other quality assurance certification systems to improve product quality, and take high quality, high efficiency and customer satisfaction as the competitive niche of the Company.
- (b) Actively improving technical capabilities, and strengthening the overall competitive advantage with the advantage of its leading technology.
- (c) Developing in the direction toward a large and professional parts and components manufacturer to rid the Company from price-cutting competition of low-priced products.
- (d) Actively developing business sources in the international market to expand product markets and to spread operational risks.
- (e) Committed to the R&D of high value-added products and reinforced cost control for enhanced profitability.
- (f) With use of resource and integration of R&D results, the Company intends to ensure its lead in technical capabilities, heading toward product diversification.
- c. The phenomenon of workforce shortage is prevalent in various domestic manufacturing industries, costs of wages are therefore relatively increased.

Countermeasures:

- (a) Promoting automation and productivity 4.0 and accelerating equipment renewal meanwhile introducing the multi-skilled training to reduce labor costs and to increase productivity while improving the quality of the working environment with a view to reduce the conventional negative image of the industry and attract outstanding talents.
- (b) Employing foreign contract labor to resolve the issue of labor shortage.

In summary, the Company's favorable factors in industry, business and other related matters are certainly helpful to the Company's future development. The Company will adhere to its business philosophy and corporate spirit, devote itself to planning high-quality products, and actively expand domestic and oversea markets to enhance profitability; and, as for the unfavorable factors, the Company has also taken appropriate measures to seize market opportunities and have excellence in sales performance.

## 2. Important use and production process of main products

### (1) Important uses of main products:

Transmission gears and shafts produced and manufactured by the Company refer to manufacturing and assembly of automobile and motorcycles components.

### (2) Production process of main products:

The status of the production process is as follows:

#### A. Parts of Torque Conversion System:

Forging→ Normalization→ Detailing via CNC Lathe→ Rolling→ Heat Treatment→ Calibration→ Grinding→ Electron-beam Welding→ Detailing via CNC Lathe→ Quality Inspection→ Packing→ Stock In

#### B. Differential:

Forging→ Normalization→ Detailing via CNC Lathe→ Center Pores and Teeth Processing using Processing Machine→ Heat Treatment→ Grinding→ Assembly→ Quality Inspection→ Packing→ Stock In

#### C. Oil Pump Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Hobbing→ Shaving→ Heat Treatment→ Inner Pore→ Plane Grinding→ Grinding Bevels of Outer Teeth→ Assembly→ Quality Inspection→ Packing→ Stock In

#### D. Reductive Drive Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Hobbing→ Shaving→ Heat Treatment→ inner radius Grinding→ Quality Inspection→ Packing→ Stock In

#### E. Gearbox Gears:

Forging→ Normalization→ Detailing via CNC Lathe→ Inner Teeth Broaching→ Hobbing→ Spading→ Shaving→ Heat Treatment→ Grinding→ Quality Inspection→ Packing→ Stock In

(3) Supply Status for Main Raw Materials

Product Type	Main Raw Materials	Name of Main Supplier	Supply Status
Automobile and Motorcycle Gears and Shafts	Steel	China Steel Corporation	Great quality and stable sources
	Castings	JAN FA	The specification meets market standards and has a stable source
	Forging	ZCI	The specification meets market standards and has a stable source

(4) List of Main Selling and Purchasing Customers Accounting for at least 10% of the Company's total sale/purchase in the 2 Most Recent Fiscal Years

A. Information of Main Suppliers in the 2 Most Recent Fiscal Years

Unit: NTD Thousands

2019					2020				2021 up to Q1			
Item	Name	Amount	Ratio to All-Year Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio to All-Year Net Sales [%]	Relationship with Issuer	Name	Amount	Ratio to Net Sales of the Current Year up to the Preceding Quarter [%]	Relationship with Issuer
1	China Steel Corporation	1,156,399	70.95	None	China Steel Corporation	828,293	55.94	None	China Steel Corporation	280,049	59.52	None
2	Siemens	33,954	2.08	None	Huaian Sanholi	53,657	3.62	None	LIAN CHENG HARD-WARE	18,560	3.95	None
3	Others	439,607	26.97	-	Others	598,736	40.44	-	Others	171,887	36.53	-
	Net Purchase	1,629,960	100.00	-	Net Purchase	1,480,686	100.00	-	Net Purchase	470,496	100.00	-

\* Owing to the premium quality and stable supply of materials, the Company has made mass procurements from China Steel to reduce material purchase costs.

B. Information of Main Trade Debtors in the 2 Most Recent Fiscal Years

Unit: NTD Thousands

2019					2020				2021 up to Q1			
Item	Name	Amount	Ratio to All-Year Net Sales[%]	Relationship with Issuer	Name	Amount	Ratio to All-Year Net Sales[%]	Relationship with Issuer	Name	Amount	Ratio to Net Sales of the Current Year up to the Preceding Quarter [%]	Relationship with Issuer
1	Company A	2,362,413	39.58	None	Company A	1,837,013	35.25	None	Company A	510,500	32.45	None
2	Company B	1,727,105	28.94	None	Company B	1,620,691	31.10	None	Company B	483,531	30.74	None
3	Others	1,878,829	31.48	-	Others	1,753,338	33.65	-	Others	578,923	36.81	-
	Net Sales	5,968,347	100.00	-	Net Sales	5,211,042	100.00	-	Net Sales	1,572,954	100.00	-

\* The changes in the performance of the main trade debtors are mainly due to the acceleration of the release of OEM parts and components orders and the demand for division of labor, and the increase in the proportion of external purchases resulting from the American auto parts and component manufacturers under the pressure of meagre profits and cost reduction. In addition, as the Company is benefitted from such trend featuring deals with major companies and jointly researches and develops synchronously with parts OEMs, the Company's product line is expanded from sole manufacturing of transmission parts to transmission assemblies of differentials and torque converters in complete sets. Variations in trade debtors are also affected by the sales performance in growths and declines of individual customer.

## (5) Production Volume in the 2 Most Recent Fiscal Years

## A. Consolidated

Unit: Thousand Pieces; NTD Thousands

Main Items(or Sector)	Year Volume of Units Sold	2019			2020		
		Productivity	Production	Output Value	Productivity	Production	Output Value
Motorcycle Gears and Axles		1,395	721	426,315	873	530	358,883
Automotive Gears and Axles		16,710	13,880	3,661,052	13,480	12,727	3,271,558
Others		4,543	3,585	425,034	4,165	2,873	248,251
Total		22,648	18,186	4,512,401	18,518	16,130	3,878,692

## B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

Main Items(or Sector)	Year Volume of Units Sold	2019			2020		
		Productivity	Production	Output Value	Productivity	Production	Output Value
Motorcycle Gears and Axles		1,395	721	426,315	873	530	358,883
Automotive Gears and Axles		8,510	7,528	3,576,690	5,532	6,378	3,150,355
Others		143	529	360,527	165	542	189,953
Total		10,048	8,778	4,363,532	6,570	7,450	3,699,191

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

## A. Consolidated

Unit: Thousand Pieces; NTD Thousands

Main Items (or Sector)	Year Volume of Units Sold	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Motorcycle Gears and Axles		215	61,816	454	202,526	121	45,896	357	226,397
Automotive Gears and Axles		5,912	66,912	8,135	5,265,464	5,447	258,607	7,470	4,361,345
Others		483	129,015	611	242,614	401	137,615	570	181,182
Total		6,610	257,743	9,199	5,710,604	5,969	442,118	8,397	4,768,924

## B. Parent-Only

Unit: Thousand Pieces; NTD Thousands

Main Items (or Sector)	Year Volume of Units Sold	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Motorcycle Gears and Axles		215	61,816	454	202,526	121	45,896	357	226,397
Automotive Gears and Axles		5,912	66,912	8,135	5,265,464	5,447	258,607	7,470	4,361,345
Others		483	129,015	611	242,614	401	137,615	570	181,182
Total		6,610	257,743	9,199	5,710,604	5,969	442,118	8,397	4,768,924



**(III) Number of Employees Employed for the 2 Most Recent Fiscal Years**

	Year	2019	2020	2021 (April 30)
Number of employees	Direct	681	647	654
	Indirect	380	330	336
	Total	1,061	977	990
Average Age		36.29	36.72	36.94
Average length of service		6.62	7.08	7.17
Education distribution ratio (%)	PhD	0%	0%	0%
	Master	3.30%	3.38%	3.33%
	Bachelor	40.06%	39.39%	39.30%
	Senior High School	24.13%	22.82%	22.73%
	Less than Senior High School	32.52%	35.41%	34.65%

**(IV) Information Regarding Environmental Protection Expenditure**

- Environmental Protection Expenditures According to regulations, the company has to apply and receive permits for the establishment of anti-pollution facilities and pollution effluent, pay pollution prevention fees, or designate environmental personnel. The status of the measures mentioned above is as follows:
  - As per Waste Disposal Act, in case the Company's paid-in capital is more than NTD 2 Billion, dedicated personnel responsible for equipment waste are required at each plant.
  - The Company's plants regularly pay fees for sewage treatment and soil and groundwater pollution remediation.
  - Currently, there are 13 sets of heat treatment equipment in the Chiayi plant, and it is expected to complete the installation and change application permit of fixed pollution source prevention equipment and fixed pollution source by 2021.
  - As per environmental protection laws and regulations, the sewage discharge outlets of each plant shall be sampled for testing every 6 months, and the water pollution fee shall be declared.
  - As per environmental protection laws and regulations, fixed pollution source air pollution fee and discharge amount of heat treatment shall be declared each quarter, and charges based on the declared amount shall be paid.
  - The Company's 3rd plant in Chiayi has completed the application for sewage discharge from the Tapumei, and is expected to apply for connection with the Dapumei sewage plant in 2021 and apply for a water pollution prevention permit from the Environmental Protection Bureau, Chiayi County.
  - Sewage discharge from the Company's plants shall meet the discharge standards of the Water Pollution Control Act, and the discharge of fixed pollution sources must meet the operating permits of fixed pollution sources.
  - The Company's plants conduct ISO14001 (Environmental Management System)/ISO45001 (Occupational Safety Management System) external audits and verifications every year.
  - The Company's CTSP Plant and Dali Plant conduct ISO14064 (Greenhouse Gas Inventory) external audit certification every year.
- The Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:
  - In 2020, the construction of the third plant in Chiayi initiated, and the concrete grooves were planned synchronically with the sewage plant. The sewage plant is expected to be completed by 2021, with a water pollution prevention permit obtained.
  - The Chiayi 3rd Plant has built a sewage plant in accordance with the requirements of environmental protection laws and regulations. In 2021, the sewage treatment system

- equipment plan was contracted, in which the discharge and disposal of sewage must comply with the discharge of process and domestic sewage. As employees' dormitory has been planned in such plant, the amount of domestic sewage higher than that of the other plant can be expected, representing a higher volume in sewage, in addition, the planning of the sewage treatment system shall contain higher stability to avoid excessive sewage and wastewater that will in the sewage volume being unable to be treated.
- (3) The heat treatment equipment of the Chiayi Plant entered the plant successively in 2020. Simultaneously, the application for the change of the fixed pollution source control equipment and the fixed pollution source setting permit has been made and is expected to be completed in 2021.
  - (4) As cutting water (liquid) generated during the Company's manufacturing process cannot be treated by the sewage plant of the Company. Consequently, the water (liquid) will be treated using thin film processor before treated in the discharge wastewater plant, in which such technology is used to treat high-concentration cutting water (liquid) on site to reduce the pollution concentration before cutting water (liquid) may be treated by the Company's sewage treatment system.
  - (5) The Company's industrial waste reduction plan for each plant features fulfillment of effective sorting through source management. Resources collected are recycled by qualified operators, with rebates given to the Company. The remaining waste will be handled by general business cleaning and transportation operators.
  - (6) All the industrial waste generated by the Company's plants are handled by the cleaning and transportation operators. Due to the relevant regulations set by the Environmental Protection Agency, the Company's waste must be treated separately in accordance with the relevant regulations.
3. Describing the process undertaken by the Company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus publication date. If there had been any pollution dispute, its handling process shall also be described:
    - (1) The Company is a professional manufacturer and marketing operator of gears, shafts and various transmission parts and components, whose disposal of industrial waste generated from manufacturing and processing shall be handled by legally qualified operators or cleaning personnel, and filed according to the industrial waste cleaning plan.
    - (2) In addition to the daily equipment inspection of the Company's sewage treatment equipment, mechanical and electrical operators are commissioned for weekly maintenance to ensure normal operation of equipment. As environmental safety personnel operate the equipment on a daily basis, the water quality report is regularly submitted.
    - (3) The Company's heat treatment plant regularly declares regular inspections annually to ensure the normal discharge by fixed pollution sources.
  4. Describing any losses suffered by the company in the most recent fiscal years and up to the prospectus publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental protection inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken:
    - (1) On February 7, 2020, the Environmental Protection Bureau, Chiayi County made independent checks on the waste declaration and management information system and found that the waste declaration and storage of the Chiayi Branch of Hota Industrial Mfg. Co., Ltd. fail to meet the current status as declared. Environmental Protection Bureau, Chiayi County submitted per 25 February 2020 Letter No. Chiayi-Environmental-Protection-Waste-1090005362 on violation against Article 31, Paragraph 1 and 2 of the Waste Disposal Act, and imposed a penalty of NTD 6,000. The Company has implemented the proper monthly waste declaration amount thereafter.
    - (2) Environmental Protection Bureau, Taichung City Government dispatched specialists to perform the verification operation on equipment operating parameters and conditions within the heat treatment plant under Hota Industrial Mfg. Co., Ltd. It was found in the verification that the Company failed to comply with the fixed pollution source operating permit.

Environmental Protection Bureau, Taichung City Government submitted per 7 July 7 2020 Letter No. Taichung-City-Environmental-Protection-Audit-1090071927 on violation of the provisions of Article 24, Paragraphs 2 and 4 of the Air Pollution Control Act, and imposed a penalty of NTD 10,000. The Company has implemented the change of equipment parameters, and immediately report to the competent authority to apply for changes thereafter.

5. Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming 2 fiscal years:

The Company's Chiayi 3rd plant project has included the construction of the sewage plant, and reserved space and groove construction for the sewage plant. Following completion of sewage plant, the sewage pre-treatment equipment are contracted and planned according to on-site needs.

**(V) Labor Relations**

1. Employee welfare policy

- (1) Allowances for Weddings, Funerals and Other Life Events

- A. Wedding Allowance: NTD 2,200~6,000.
- B. Childbirth Allowance: NTD 3,000.
- C. Hospital Consolation: NTD 3,000~6,000.
- D. Funeral Assistance: NTD 2,100~5,500.

- (2) Welfare Activities by the Employee Welfare Committee

On the Chinese New Year, Labor Day, Mid-Autumn Festival and employees' birthdays, the Employee Welfare Committee purchase and give away gifts or grants; in addition, the Committee conducts the raffles for Year-End feasts; also, the Committee regularly organize employee tours, birthday parties and other activities to bring employees closer.

- A. Employee birthday Party: NTD 1,000 for each employee per year.
- B. Wedding Allowance: NTD 3,600.
- C. Childbirth Allowance: NTD 3,000.
- D. Funeral Assistance: NTD 3,100.
- E. Hospital Consolation for Injuries, Illness and Hospitalization: NTD 2,000.
- F. In events of an employee suffering from major disasters, the amount of assistance may be resolved by case by the Welfare Committee.

- (3) Continuing education and training: In accordance with the Company's "Regulations Governing Employee Education and Training", the education and training courses of each department are arranged.

2. Retirement system:

In line with the "Labor Pension Act" enforced on July 1, 2005, the Company has enabled the option of adopting retirement system relevant to "Labor Standards Act" or adopting the pension system as applied in Labor Pension Act and retaining the years of employment prior to enforcement for employees employed before June 30 who are incumbent on July 1, while new employees employed from July 1 2005 are only applicable to the pension system of the "Labor Pension Act". For ones adopting the new system, the Company disburses 6% of the employees' monthly salary to the individual pension account under Labor Insurance Bureau. For the ones adopting old pension system, the Company formulates regulations governing employee retirement in accordance with the provisions of the Labor Standards Law, and reserves are allocated monthly to the special trust account under Taiwan Bank.

3. Agreements between Labors and Management

The Company establishes channels for coordination via organization of quarterly labor-management meetings, management department meetings amongst various units, etc., facilitating communications between labor and management.

4. Any losses suffered by the Company in the most recent 2 fiscal years and up to the annual report publication date due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

The Company has a fair labor relation and has not been affected in operations due to labor disputes since its establishment, in addition, in accordance with current situation, there is no potential for labor disputes; therefore, the possibility of future labor dispute losses is very unlikely. However, the Company's Dali Plant was ruled violation against laws and regulations, and was fined NT\$40,000 for violating Article 24 and Article 39 of the Labor Standards Act, as per 27 August 2019 Letter No. Government-Authorization-Labor-1080203649"; the CTSP Plant was notified of violation against laws and regulations in its labor inspection results as per 5 February 2019 Letter No. Taichung-Environmental-Protection-Zi-1080003442 and per 15 January 2021 Letter No. Taichung-Environmental-Protection-Zi-1100001231, which violated Article 32, paragraph 2 of the Labor Standards Act, and a fine at NTD 50,000 was imposed; the Chiayi Plant was convicted of violating Article 32, Paragraph 2 of the Labor Standards Act after being notified of the labor inspection results as per 5 June 2019 Letter No. Chiayi-Social-Management-Zi-1080027465 Letter, with a fine at NTD 50,000 imposed. The Company has re-examined the working hours management system and strengthened communication to promote overtime reporting regulations ever since.

**(VI) Important Contracts:**

The Company still has supply/distribution contracts, technical cooperation contracts, engineering contracts, and other contracts that would affect investors' equity which are retaining or expired in the most recent fiscal year:

Contract Feature	Contracting Parties	Commencement and Expiration Dates	Major Content	Restrictive Clause
Syndicated Loans Contract	Consortium Bank formed by E-Sun Bank et al.	2016/7/15-110/7/15	Syndicated Mortgage Borrowing	None
Syndicated Loans Contract	Consortium Bank formed by Land Bank et al.	2021/3/11-2026/3/11	Syndicated Mortgage Borrowing	None
Subcontractor Supply and Processing Contract	ZOENG CHANG INDUSTRY CO., LTD.	2016/5/04-2021/5/04	Raw Material Supply and Parts Processing	None
Construction Contract	Zhao-Ming Construction and Engineering Co., Ltd.	2019/8/11-2021/3/31	Dapumei Phase 3 Plants Building Construction	None

## VI. Financial Highlights

### (I) Condensed Financial Information in the Most Recent Five Years

#### 1. Condensed Balance Sheet and Composite Income Sheet Information Condensed Consolidated Balance Sheets

Unit: NTD Thousands

Year Items		Financial information for the most recent five years (Note 1)					Current Year Financial information as of March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current Asset		4,577,766	5,129,117	5,567,504	5,143,310	5,409,457	5,380,520
Property, Plant and Equipment (Note 2)		5,410,546	8,104,511	8,907,320	10,672,421	11,540,853	11,539,450
Intangible Assets		5,213	10,167	14,172	14,142	7,034	6,585
Other Assets (Note 2)		980,757	978,619	1,086,904	1,325,979	1,393,831	1,440,086
Total Asset		10,974,282	14,222,414	15,575,900	17,155,852	18,351,175	18,366,641
Current Liability	Before Distribution	3,135,737	4,053,516	4,303,703	4,843,688	6,426,290	3,745,936
	After Distribution	3,051,103	4,005,815	4,254,906	4,817,827	6,416,053	3,745,936
Non-Current Liability		3,638,494	3,549,099	4,401,403	5,687,236	5,517,842	5,888,930
Total Liability	Before Distribution	6,774,231	7,602,615	8,705,106	10,530,924	11,944,132	9,634,866
	After Distribution	6,689,597	7,554,914	8,656,309	10,505,063	11,933,895	9,634,866
Equity Attributable to Owners of the Parent		4,151,356	6,570,510	6,816,615	6,568,576	6,352,558	8,677,801
Stock Capital		2,349,565	2,549,565	2,549,565	2,549,565	2,545,175	2,795,175
Capital Surplus		13,804	1,916,204	1,916,204	1,916,204	1,906,479	3,906,479
Retained Earnings	Before Distribution	1,757,317	2,062,180	2,374,695	2,151,043	1,936,020	1,996,723
	After Distribution	864,969	1,106,093	1,482,347	1,641,130	1,701,225	1,996,723
Other Equities		30,670	42,561	(23,849)	(48,236)	(35,116)	(20,576)
Treasury Shares		0	0	0	0	0	0
Non-Controlling Interest		48,695	49,289	54,179	56,352	54,485	53,974
Total Equity	Before Distribution	4,200,051	6,619,799	6,870,794	6,624,928	6,407,043	8,731,775
	After Distribution	3,307,703	5,663,712	5,978,446	5,668,841	5,514,695	8,731,775

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: Where an asset revaluation is conducted in the current year, the date of conduct and the revaluation amount shall be listed.

Note 3: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 4: The above-stated figures after distribution shall be entered in on basis of resolutions in a shareholders' meeting in the following year.

Note 5: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

Condensed Consolidated Balance Sheets (parent company-only financial report)

Unit: NTD Thousands

<div> <div>Year</div> <div>Items</div> </div>		Financial information for the most recent five years (Note 1)				
		2016	2017	2018	2019	2020
Current Asset		4,118,532	4,597,717	5,200,329	4,742,042	4,737,344
Property, Plant and Equipment (Note 2)		4,896,458	7,537,789	8,241,576	9,891,452	10,476,818
Intangible Assets		5,213	10,167	13,099	13,169	7,034
Other Assets (Note 2)		1,415,226	1,430,390	1,537,848	1,764,865	1,781,394
Total Asset		10,435,429	13,576,063	14,992,852	16,411,528	17,002,590
Current Liability	Before Distribution	2,759,308	3,678,742	3,956,019	4,531,930	5,872,193
	After Distribution	2,674,674	3,631,041	3,907,222	4,506,069	5,861,956
Non-Current Liability		3,524,765	3,326,811	4,220,218	5,311,022	4,777,839
Total Liability	Before Distribution	6,284,073	7,005,553	8,176,237	9,842,952	10,650,032
	After Distribution	6,199,439	6,957,852	8,127,440	9,817,091	10,639,795
Equity Attributable to Owners of the Parent		4,151,356	6,570,510	6,816,615	6,568,576	6,352,558
Stock Capital		2,349,565	2,549,565	2,549,565	2,549,565	2,545,175
Capital Surplus		13,804	1,916,204	1,916,204	1,916,204	1,906,479
Retained Earnings	Before Distribution	1,757,317	2,062,180	2,374,695	2,151,043	1,936,020
	After Distribution	864,969	1,106,093	1,482,347	1,641,130	1,701,225
Other Equities		30,670	42,561	(23,849)	(48,236)	(35,116)
Treasury Shares		0	0	0	0	0
Non-Controlling Interest		0	0	0	0	0
Total Equity	Before Distribution	4,151,356	6,570,510	6,816,615	6,568,576	6,352,558
	After Distribution	3,259,008	5,614,423	5,924,267	6,058,663	6,117,763

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: Where an asset revaluation is conducted in the current year, the date conducted, and the revaluation amount shall be listed.

Note 3: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 4: The above-stated figures after distribution shall be entered in on basis of resolutions in a shareholders' meeting in the following year.

Note 5: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

# Condensed Comprehensive Income Statement

Unit: NTD Thousands

Year Items	Financial information for the most recent five years (Note 1)					Current Year Financial information as of March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating Revenue	5,781,203	6,719,132	7,153,036	5,968,347	5,211,042	1,572,673
Operating Margin	2,137,711	2,269,819	2,252,917	1,672,360	1,172,818	361,746
Operating Income	1,387,478	1,424,961	1,335,901	818,529	396,611	88,696
Non-Operating Income and Expenses	11,862	(46,676)	83,852	(73,610)	(72,563)	(23,403)
Net Profit before Tax	1,399,340	1,378,285	1,419,753	744,919	324,048	65,293
Current Net Profit from Continuing Operations	1,123,018	1,204,429	1,240,411	653,049	285,560	54,313
Loss from Discontinuing Operation	0	0	0	0	0	0
Current Net Profit (Loss)	1,123,018	1,204,429	1,240,411	653,049	285,560	54,313
Current Other Comprehensive Income (Net After Tax)	(37,969)	5,268	(50,772)	(7,489)	22,448	20,419
Current Total of Comprehensive Income	1,085,049	1,209,697	1,189,639	645,560	308,008	74,732
Net Profit Attributable to Owners of the Parent	1,123,189	1,204,010	1,236,915	649,123	286,094	54,841
Net Profit Attributable to Non-Controlling Interest	(171)	419	3,496	3,926	(534)	(528)
Total of Comprehensive Income Attributable to Owners of the Parent	1,084,938	1,209,103	1,186,277	641,989	308,010	75,243
Total of Comprehensive Income Attributable to Non-Controlling Interest	111	594	3,362	3,571	(2)	(511)
EPS	4.78	4.81	4.85	2.55	1.12	0.20

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2).

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 3: Loss from Discontinuing Operation shall be listed in net value after deduction of income taxes.

Note 4: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

**Condensed Comprehensive Income Statement (parent company-only financial report)**

Unit: NTD Thousands

Year Items	Financial information for the most recent five years (Note 1)				
	2016	2017	2018	2019	2020
Operating Revenue	5,595,597	6,469,799	6,908,813	5,683,259	4,787,240
Operating Margin	2,085,295	2,206,081	2,164,839	1,610,980	1,119,271
Operating Income	1,409,171	1,445,694	1,332,350	846,892	455,877
Non-Operating Income and Expenses	(27,735)	(69,555)	55,634	(116,924)	(138,208)
Net Profit before Tax	1,381,436	1,376,139	1,387,984	729,968	317,669
Current Net Profit from Continuing Operations	1,123,189	1,204,010	1,236,915	649,123	286,094
Loss from Discontinuing Operation	0	0	0	0	0
Current Net Profit (Loss)	1,123,189	1,204,010	1,236,915	649,123	286,094
Current Other Comprehensive Income (Net After Tax)	(38,251)	5,093	(50,639)	(7,134)	21,916
Current Total of Comprehensive Income	1,084,938	1,209,103	1,186,276	641,989	308,010
Net Profit Attributable to Owners of the Parent	—	—	—	—	—
Net Profit Attributable to Non-Controlling Interest	—	—	—	—	—
Total of Comprehensive Income Attributable to Owners of the Parent	—	—	—	—	—
Total of Comprehensive Income Attributable to Non-Controlling Interest	—	—	—	—	—
EPS	4.78	4.81	4.85	2.55	1.12

\* In case a company prepares Parent-Only Financial Statement, Condensed Balance Sheet and Composite Income Sheet of Parent in the most recent 5 years shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2)..

Note 1: Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company having trading at Taipei Exchange has financial information for the most recent period audited and attested by CPAs up to the date of annual report publication, such information shall also be disclosed.

Note 3: Loss from Discontinuing Operation shall be listed in net value after deduction of income taxes.

Note 4: For those who have been notified by the FSC to revise their financial information, all the figures/numbers used shall be the revised ones, and the status and reasons for such revision shall be noted.

**2. Name of CPAs and Audit Opinions for the 5 Most Recent Fiscal Years**

**(1) Name of CPAs and Audit Opinions for the 5 Most Recent Fiscal Years**

Attesting Year	Accounting firms	Name of CPAs	Auditor's opinions	Remarks
2016	PwC Taiwan	Yang, Ming-Jing, Wang, Yu-Juan	Unqualified audit report with explanatory paragraph or modified wording	-
2017	PwC Taiwan	Hsu, Chien-Yehh, Hung, Shu-Hua	No qualified opinion (Emphasis of Matter or Other Matters)	-
2018	PwC Taiwan	Hsu, Chien-Yehh, Hung, Shu-Hua	No qualified opinion (Emphasis of Matter or Other Matters)	-
2019	PwC Taiwan	Hsu, Chien-Yehh, Hung, Shu-Hua	No qualified opinion (Emphasis of Matter or Other Matters)	-
2020	PwC Taiwan	Wu, Sung-Yun, Hsu, Chien-Yehh	No qualified opinion (Emphasis of Matter or Other Matters)	-

(2) If there was change/replacement of the CPA within the most recent 5 fiscal years, explanation made by the company's previous and current CPA over the causes for such change/replacement shall be set forth:

In cooperation with internal organic needs of PricewaterhouseCoopers Taiwan, the CPA for attesting is adjusted.



- (3) The information describing the reasons for having the financial statements in consecutive 5 most recent fiscal years audited and attested by the same CPAs from the Company's public offer: not applicable.

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

### Financial analysis

Analysis Items (Note 3)		Year (Note 1)	Financial analysis of the most recent five years					Financial information for the year ended March 31, 2021 (Note 2)
			2016	2017	2018	2019	2020	
Financial Structure (%)	Ratio of Liabilities to Assets		61.73	53.46	55.89	61.38	65.09	52.46
	Ratio of Long-Term Capital to Property, Plant and Equipment		144.88	125.47	126.55	115.36	103.33	130.82
Debt Service Ability %	Current Ratio		145.99	126.54	129.37	106.19	84.18	143.64
	Quick Ratio		105.88	85.49	88.56	67.30	54.64	92.82
	Interest Coverage Folds		26.38	30.07	23.47	8.42	3.46	2.88
Operating Ability	Account Receivables' Turnover Rate (Times)		4.69	4.64	3.84	2.75	2.28	2.73
	Average Days for Cash Receipts		77.82	78.83	95.05	132.72	160.08	133
	Inventory's Turnover Rate (Times)		2.71	2.91	2.75	2.26	2.03	2.42
	Payables Turnover Rate (Times)		4.01	3.64	3.61	3.94	4.28	4.68
	Average Days for Sale of Goods		134.68	125.43	132.73	161.50	179.80	151
	Turnover Rate for Property, Plant and Equipment (Times)		1.17	0.99	0.84	0.61	0.47	0.55
	Total Assets' Turnover Rate (Times)		0.58	0.53	0.48	0.36	0.29	0.34
Profitability	Assets Return Ratio (%)		11.73	9.87	8.66	4.43	2.10	1.64
	Equity Return Ratio (%)		27.84	22.26	18.39	9.68	4.38	2.87
	Ratio to Paid-In Capital (%)	Operating Income	59.05	55.89	52.40	32.10	15.58	12.69
		Pre-Tax Income	59.56	54.06	55.69	29.22	12.73	9.34
	Net Profit Ratio (%)		19.43	17.93	17.34	10.94	5.48	3.45
	EPS(NTD)		4.78	4.81	4.85	2.55	1.12	0.22
Cash Flow	Cash Flow Ratio(%)		55.76	22.67	26.72	6.44	17.05	3.27
	Cash Flow Sufficiency Ratio(%)		74.21	52.25	50.83	36.70	36.39	5.54
	Cash Re-investment Rate(%)		9.96	0.21	1.37	(3.80)	3.83	0.68
Leverage	Operational Leverage		1.81	1.90	2.14	2.90	4.73	5.12
	Financial Leverage		1.04	1.03	1.05	1.12	1.38	1.42

Please describe the reason for variations to various financial ratios in the 2 Most Recent Fiscal Years. (Where the variation by increase or decrease is not over 20% may be exempted from analysis)

1. Debt Service Ability: due to the poor profitability status and the continued contribution of capital expenditure, the coverage fold is therefore lowered.
2. Operating Ability: The current accounts receivable amount is reduced compared to the preceding period, resulting in reduced account Receivables' Turnover Rate and increased Average Days for Cash Receipts.
3. Profitability: Due to the decreased 2020 revenue and excessively high fixed cost, the operating income and current income are reduced compared to the preceding period.
4. Cash Flow: The current contribution of capital expenditure is increased compared to the preceding period, resulting in increase in net cash payments in investment activities.
5. Leverage: Due to the decrease in the current revenue and reduced operating income, the operational leverage is increased.

\* In case a company prepares Parent-Only Financial Statement, the Company's Parent-Only financial ratio analysis shall be prepared otherwise.

\* In case a company has adopted the financial information under IFRS for less than 5 fiscal years, financial information adopting the financial accounting standards of Republic of China shall be prepared as the below table (2)..

Note 1: Note Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company with stocks traded at securities exchange has the financial information in the most current period as audited and attested or reviewed by CPAs up to the date of publication of this Annual Report, such information shall be analyzed.

### Financial analysis (parent company-only financial report)

Analysis Items (Note 3)		Year(Note 1)	Financial analysis of the most recent five years				
			2016	2017	2018	2019	2020
Financial Structure	Ratio of Liabilities to Assets		60.22	51.60	54.53	59.98	62.64
	Ratio of Long-Term Capital to Property, Plant and Equipment		156.77	131.30	133.92	120.10	106.24
Debt Service Ability	Current Ratio		149.26	124.98	131.45	104.64	80.67
	Quick Ratio		107.47	82.80	90.61	66.57	52.13
	Interest Coverage Folds		32.92	37.66	26.26	9.00	3.70
Operating Ability	Account Receivables' Turnover Rate(Times)		5.03	4.99	3.95	2.73	2.24
	Average Days for Cash Receipts		72.56	73.15	92.41	134	163
	Inventory's Turnover Rate (Times)		2.91	3.06	2.90	2.35	2.07
	Payables Turnover Rate (Times)		3.93	3.58	3.59	3.92	4.39
	Average Days for Sale of Goods		125.43	119.28	125.86	155	176
	Turnover Rate for Property, Plant and Equipment (Times)		1.14	1.04	0.88	0.63	0.47
	Total Assets' Turnover Rate (Times)		0.54	0.54	0.48	0.36	0.29
Profitability	Assets Return Ratio (%)		12.24	10.29	8.97	4.55	2.17
	Equity Return Ratio (%)		28.19	22.46	18.48	9.70	4.43
	Ratio to Paid-In Capital (%)	Operating Income	59.98	56.70	52.26	33.22	17.91
		Pre-Tax Income	58.80	53.98	54.44	28.63	12.48
	Net Profit Ratio (%)		20.07	18.61	17.90	11.42	5.98
	EPS (NTD)		4.78	4.81	4.85	2.55	1.12
Cash Flow	Cash Flow Ratio (%)		66.15	25.29	23.91	6.35	23.26
	Cash Flow Sufficiency Ratio (%)		84.87	53.98	51.87	38.95	43.57
	Cash Re-investment Rate (%)		11.08	0.31	(0.08)	(4.11)	5.98
Financial Structure	Operational Leverage		1.69	1.75	1.97	2.55	3.73
	Financial Leverage		1.03	1.03	1.04	1.11	1.26

Please describe the reason for variations to various financial ratios in the 2 Most Recent Fiscal Years. (Where the variation by increase or decrease is not over 20% may be exempted from analysis)

1. Debt Service Ability: due to the poor profitability status and the continued contribution of capital expenditure, the coverage fold is therefore lowered.
2. Operating Ability: The current accounts receivable amount is reduced compared to the preceding period, resulting in reduced account Receivables' Turnover Rate and increased Average Days for Cash Receipts.
3. Profitability: Due to the decreased 2020 revenue and excessively high fixed cost, the operating income and current income are reduced compared to the preceding period.
4. Cash Flow: The current contribution of capital expenditure is increased compared to the preceding period, resulting in increase in net cash payments in investment activities.
5. Leverage: Due to the decrease in the current revenue and reduced operating income, the operational leverage is increased.

Note 1: Note Year(s) of financial report not audited and attested by CPAs shall be noted.

Note 2: In case a listed company or a company with stocks traded at securities exchange has the financial information in the most current period as audited and attested or reviewed by CPAs up to the date of publication of this Annual Report, such information shall be analyzed.

Note 3: Following calculation formula shall be listed at end of main tables of the annual report:

1. Financial Structure

(1) Ratio of Liabilities to Assets=Total Liability/Total Asset.

(2) Ratio of Long-Term Capital to Property, Plant and Equipment=(Total Equity + Non-Current Liability)/Net of Property, Plant and Equipment.

2. Debt Service Ability

(1) Current Ratio=Current Asset/Current Liability.

(2) Quick Ratio=(Current Asset-Inventory-Prepaid Expense)/Current Liability.

(3) Interest Coverage Folds=Net Profit Before Income Tax and Interest Expense/Current Interest Expenditure.

### 3. Operating Ability

- (1) Accounts Receivable (incl. accounts receivable and notes receivable incurred by operating activities) Turnover= Net Sales/Average Accounts Receivable for each period.  
(incl. accounts receivable and notes receivable incurred by operating activities) Balance.
- (2) Average Days for Cash Receipts=365/Account Receivables' Turnover Rate.
- (3) Inventory's Turnover Rate=Cost of Goods Sold/Average Inventory.
- (4) Accounts Payable (incl. accounts payable and notes payable incurred by operating activities) Turnover= Cost of Goods Sold/Average Accounts Payable for each period
- (5) (incl. accounts payable and notes payable incurred by operating activities) balance.
- (6) Average Days for Sale of Goods=365/Inventory's Turnover Rate.
- (7) Turnover Rate for Property, Plant and Equipment=Net Sales/Net Average for Property, Plant and Equipment.
- (8) Total Assets' Turnover Rate=Net Sales/Average Total Asset.

### 4. Profitability

- (1) Assets Return Ratio=[Post-Tax Profit or Loss + Interest Expense×(1-Tax Rate)]/ Average Total Asset.
- (2) Equity Return Ratio=Post-Tax Profit or Loss/Average Total Equity.
- (3) Net Profit Ratio=Post-Tax Profit or Loss/Net Sales.
- (4) EPS=(Income Attributable to Owners of the Parent -Preferred Shares Dividend)/Weighted Average of Issued Number of Shares.(Note4)

### 5. Cash Flow

- (1) Cash Flow Ratio=Net Cash Flow from Operating Activities/Current Liability.
- (2) Net Cash Flow Sufficiency Ratio=Net Cash Flow from Operating Activities in the Most Recent 5 Fiscal Years/ (Capital Expenditure + Increase in Inventory + Cash Dividend) in the Most Recent 5 Fiscal Years.
- (3) Cash Re-investment Rate=(Net Cash Flow from Operating Activities-Cash Dividend)/(Gross of Property, Plant and Equipment + Long-Term Assets + Other Non-Current Assets + Operation Fund).(Note5)

### 6. Leverage:

- (1) Operational Leverage=(Net Operating Revenue-Variable Operating Cost and Expense) / Operating Income(Note6).
- (2) Financial Leverage=Operating Income / (Operating Income-Interest Expense).

Note 4: The following matters shall be noticed when measuring aforesaid EPS calculations:

1. Weighted Average Number of Common Shares shall be the basis instead of Number of Shares issued at the end of the year.
2. In case there is cash capital increase or trading of treasury shares, the calculation periods shall be taken into consideration when calculating Weighted Average Number of Shares.
3. In case there is capital increase from Earning Transferred to Capital or Capital Surplus, a retroactive adjustment based on capital increase proportion shall be made upon calculation of EPS in previous years and halves of the year without consideration of the issuance period for such capital increase.
4. In case a preferred share is a cumulative preferred share not convertible, the dividend of the year (regardless of distribution status) shall be deducted from net profit after tax, or shall be added with net loss after tax. In case a preferred share is non-cumulative, where there is net profit after, tax, the dividend of preferred shares shall be deducted from the net profit after tax; where there is a loss, such adjustment may be exempted.

Note 5: The following matters shall be noticed when measuring the Cash Flow Analysis:

1. Net Cash Flow from Operating Activities refers to net cash inflow from operating activities in the table of Cash Flow .
2. Capital Expenditure refers to amount of cash payments for each year's capital investments.
3. The amount of inventory increase shall be recognized where the ending balance is greater than beginning balance; in case of decrease in inventory, such amount shall be zero.
4. Cash Dividend includes Cash Dividend from Common Shares and Preferred Shares.
5. Gross of Property, Plant and Equipment refers to total amount of Property, Plant and Equipment before deduction of accumulated depreciation.

Note 6: The issuer shall divide various operating costs and operating expenses into fixed and variable based on characteristics; where estimates or subjective judgements are involved, the reasonableness of such behavior and consistency shall be noticed.

Note 7: Where a company's stock is of non-par-value or the face value is not NTD 10, for the aforementioned calculations concerning Ratio to Paid-In Capital, Ratio of Equity Attributable to Owners of the Parent in the Balance Sheet shall be in place.

**(III) Audit Committee's Report on Financial Statements for the Most Recent Fiscal Year**

**Audit Committee's Review Report**

The board of directors has prepared and submitted the Company's Business Report, Financial Statements, and Proposal for Earnings Distribution of the Company for the year 2020. PwC Taiwan has also audited the financial statements and issued the auditors' report. The Business Report, Financial Statements, and Proposal for Earnings Distribution of the Company for the year 2020 have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to the Securities and Exchange Act and the Company Act, we hereby submit the report for ratification.

Hota Industrial MFG. Co., Ltd.

Convener of the Audit Committee: Zheng, Wen-Zheng

March 17, 2021

**(IV) Financial Statements in the most recent Fiscal year**

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

**Independent Auditor's Report**

(110) Ministry of Finance approved No.20004693

The Board of Directors and Shareholders

Hota Industrial Manufacturing Company Limited Public

**Opinion**

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

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

**Basis for Opinion**

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

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

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

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

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

#### Notes

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

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

#### Corresponding verification procedures

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

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

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

#### Notes

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

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

#### Corresponding verification procedures

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

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

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

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

## **Other matters – individual financial reports**

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

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

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

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

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

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

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

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

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



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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.: 1090350620

1050035683

March 17, 2021

## Mota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated Balance sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

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

(continue in next page)

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated Balance sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

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

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

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated Statements of Comprehensive Income

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

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

(continue in next page)

Hota Industrial Manufacturing Company Limited and Subsidiaries  
Consolidated Statements of Comprehensive Income  
2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

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

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

Hota Industrial Manufacturing Company Limited and Subsidiaries  
Consolidated Statements of Changes in Equity

(In Thousands of New Taiwan Dollars)

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

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

## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated Statement of Cash Flows

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

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

(continue in next page)



## Hota Industrial Manufacturing Company Limited and Subsidiaries

## Consolidated Statement of Cash Flows

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

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

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

2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

## 1. HISTORY OF THE COMPANY

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

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

## 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

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

## 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Issued</u> by IASB
Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IAS 16” Provisions on the Accounting Treatment of the 2020(note)	June 1,

COVID-19 Pandemic-related Rental Concession”

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

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

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

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

<u>New Standards, Interpretations and Amendments</u>	International Financial Reporting
Amendments to IFRS 4 “Temporary exemption from the extension of	

International Accounting

January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “  
Interest Rate Benchmark Reform - Phase 2”

January 1, 2021

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

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

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’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, this consolidated financial statements have been prepared on the historical cost basis :

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

- (2) Determined welfare liabilities are recognized as the net amount of the present value of the definite welfare obligations after the deduction of retirement fund assets.
2. The management has to make certain significant accounting estimates based on their professional judgment and decide the accounting policy according to the IFRSs as endorsed by the FSC. Any change in the assumption could result in a significant change in the financial statements. The management of the Bank and subsidiaries believes that the assumptions used in the consolidated statements are appropriate. For highly complicated matters, matters requiring high level of judgments, significant judgments that could have an impact on the consolidated financial statements and estimates and key sources of assumption uncertainty, please refer to Note 5 for further details.

### (3 ) Basis of Consolidation

#### 1.The basis for the consolidated financial statements

- (1) The group incorporates all subsidiaries into the consolidated financial report compilation body. Subsidiary refers to an entity controlled by the group (including structured entities). When the group is exposed to variable compensation from the participation of the individual or has rights to such variable compensation, and through its power or ability to influence the individual's payment, the Group controls the individual. Subsidiaries will enter the consolidated financial report from the day when the Group gains control, and terminates the merger on the day when the control is lost.
- (2) Transactions, balances and unrealized equities between subsidiaries are eliminated. Accounting policies of subsidiaries have done essential adjustments to be the same as the Group's.
- (3) Each component of the profit and loss and other comprehensive gains and losses is attributed to the owner of the parent company and non-controlling interest. The total amount of the comprehensive profit and loss is also attributed to the owner of the parent company and the non-controlling interest, even if there is a non-controlling loss caused by the equity.
- (4) If the change in the amount of stocking owned by the subsidiaries does not lead to loss of control (transaction with non-controlling rights and interests), it is treated as an equity transaction, which means it is treated as a transaction with the owner. The difference between the adjustment amount of the non-controlling equity and the fair value of the consideration paid or received is directly recognized as equity.
- (5) When the Group loses the control over subsidiaries, re-evaluate the remaining investment at fair value, and set it as cost for initial recognition of financial assets or of affiliates investment, the fair value and carrying amount are recognized as current profit and loss. For all amounts previously recognized in other comprehensive profit and loss related to the subsidiary, the accounting handles the same as if the Group directly disposes of related assets or liabilities, which is, if the profit or loss previously recognized as other comprehensive profit or loss, when disposing of related assets or liabilities, they will be re-classified as profit or loss. When the control of the subsidiary is lost, the profit or loss will be re-classified from equity as profit or loss.

#### 2. The subsidiaries in the consolidated financial statements

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

CAPTAIN HOLDING CO., LTD.	Howon(Whaian)automobile components Company Limited	gears and shafts of automobiles Manufacturing and selling of automobile gearboxes and gears	100	100
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3. Subsidiaries not included in consolidated financial reports: No
4. Subsidiaries adopting different ways of adjustment and handling during accounting period: No
5. Significant limitations : No
6. Subsidiaries hold significant un-controlling rights and profits to the Group: No

#### (4) Foreign currency translations

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

##### 1. Foreign currency transaction & balance

- (1) Foreign currency transactions are converted into functional currency using the spot exchange rate on the transaction day or the measurement day, and the conversion difference resulting from such transactions is recognized as the current profit or loss.
- (2) The balance of foreign currency assets & liabilities will be adjusted according to the spot exchange rate on the date of the asset liability balance sheet, and the conversion difference resulting from the adjustment shall be recognized as current profit and loss.
- (3) The balance of foreign currency non-monetary assets & liabilities that is measured at fair value through other comprehensive gains and losses is evaluated and adjusted at the spot exchange rate on the reporting date. The conversion difference arising from the adjustment is recognized in other comprehensive gains and losses; The fair value measurement is based on the historical exchange rate on the initial transaction date.
- (4) All currency exchange profits and losses are listed in “other profit and loss” in the income statement.

##### 2. Conversion of foreign operating agencies

- (1) Functional currency and expression currency are different from all group entities, associated enterprises & joint agreements, and their operating results and financial status are converted into expression currency as following:
  - A. The assets & liabilities expressed in each asset liability table are converted at the closing exchange rate on the asset liability table date;
  - B. The income & expenses expressed in each consolidated income statement are converted at the current average exchange rate;
  - C. All conversion differences resulting from the conversion are recognized as other consolidated profits and losses.

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

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

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

- (1) Assets were expected to realize in normal business cycle
- (2) Assets were held on the purpose of transaction
- (3) Assets expected to realize within 12 months after the reporting date.
- (4) Cash and cash equivalents are included except those who are subject to restrictions on exchange or use to pay off debts at least 12 months after the date of the reporting date.

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

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

- (1) Assets were expected to realize in normal business cycle
- (2) Assets were held on the purpose of transaction
- (3) Liabilities expected to realize within 12 months after the reporting date
- (4) It is not possible to defer the repayment period without any condition at least 12 months after the date of the reporting date. Indebtedness clauses which may lead to liquidation by issuing equity instruments, depending on the choice of the trading counterparty, do not affect their classification.

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

(6) Cash equivalents

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

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

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

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

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

(9) Financial assets at amortized cost

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

(10) Accounts Receivable & Invoices

1. Refers to the accounts & invoices that have been unconditionally received in exchange for the right to the value of the transfer of goods or services in accordance with the contract.



2. Short-term accounts receivable & notes that are interests unpaid, which the discount has little impact. The Group uses the original invoice amount to measure the amount.
3. The business model of the Group's expected sale of accounts receivable is to collect contractual cash flow & sell, and then to be measured at fair value, and changes are recognized as other comprehensive profits and losses.

(11) Financial asset impairment

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

(12) Derecognition of financial assets

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

1. The contractual rights to the cash flows from the financial asset expire.
2. The contractual rights to the cash flows from the financial asset have been transferred and all the risks and rewards of the financial asset ownership have been removed.
3. The contractual rights to the cash flows from the financial asset have been transferred and the Group doesn't reserve the control of the financial asset.

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

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

(14) Inventory

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

(15) Investments Accounted for Using Equity Method / Associates

1. An associate is an entity over which the Group has significant influence and that is not a subsidiary. Usually, the Group owns directly or indirectly over 20% of the voting right. Under the equity method, an investment in an associate is initially recognized at its cost of acquisition.
2. The Group recognizes the share of income after acquisition as income of current period, and the share of other comprehensive income after acquisition as other comprehensive income. The share of loss of any associate has equal or exceed the Group's equity including any other unsecured receivables, the Group shall not recognize any further loss, except statutory obligation, presumptive obligation, or payables for the associate.
3. Equity changes against non-income or other comprehensive income without influence on the shareholding percentage of the associate, the Group shall recognize the share of equity changes as capital reserve.
4. The unrealized gain/loss of the transaction between the Group and the association has been

eliminated by the adjustment to the share of its equity except clear evidence indicates the assets transferred have been impaired. The accounting policies of the association have been adjusted for sure and consistent with that of the Group.

5. When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net value of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to "Capital reserve" and "Investments Accounted for Using Equity Method." If the Group's investment percentage is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income related to that associate shall be reclassified to profit or loss on the same basis.
6. When the Group disposes shares of an association, if it loses significant influence on the association, the accounting treatment of all amounts previously recognized in other comprehensive income related to the association will be the same basis as if the Group directly disposes of related assets or liabilities. That is if the benefits or losses previously recognized as other comprehensive income will be reclassified as gains and losses when the relevant assets or liabilities are disposed of. When the Group loses a significant influence on the association, the benefits or losses will be taken from equity shall be reclassified as profit and loss. If it still has a significant influence on the association, the amount previously recognized in other comprehensive income will be transferred out in the previously mentioned manner only on a proportional basis.

(16) Property, Plant and Equipment

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

Estimated Useful Lives of Assets are listed below:

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

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

1. The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of the lease properties. Payments of lease contracts for short-term leases (leases of machinery and equipment and others) and low value assets leases are recognized as expenses on a straight-line basis during the lease period.
2. Lease liabilities are measured at the present value of the unpaid lease payments discounted by the lessee's incremental borrowing rates at the commencement date of the lease. Lease payments include:  
Fixed payments, deduct collectable lease incentives.  
Thereafter, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease period. When the lease period or lease payment changes due to non-contract modification, the Group re-measures the lease liabilities with a corresponding adjustment to the right-of-use assets.
3. Right-of-use assets are measured at cost on the commencement date of the lease, where the cost including:
  - (1) The initial measurement of lease liabilities;
  - (2) Any lease payment at or before the commencement date;
  - (3) Any initial direct cost happened on the asset.Subsequent measurement is calculated as cost less accumulated depreciation against whether the estimated useful lives of assets or the lease terms is earlier. When the lease liabilities was remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.
4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

(18) Intangible Assets

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

(19) Impairment of non-financial assets

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

(20) Loan

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

(21 ) Account Payable and Note Payable

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

(22 ) Derecognition of Financial Liabilities

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

(23 ) Employee Benefits

1. Short-term employee benefits  
Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as an expense in exchange for service rendered by employees.
2. Retirement benefits
  - (1) Defined contribution plans  
For defined contribution plans, the amount of the retirement fund on the basis of employee's responsibilities is recognized as the cost of the benefit plan of the current period.
  - (2) Defined benefit plans
    - A. The net benefit liabilities under the defined benefit plan are calculated by discounting the number of future benefits the employee earned now or in the past, and the present value of defined benefit liabilities on the date of the balance sheet deduct the fair value of the beneficial asset.  
The net benefit liabilities are determined by the actuary's calculations every year using the Projected Unit Credit Method. The discount rate refers to the market rate of return of government bonds (on the balance sheet date).
    - B. Remeasurement from the defined benefit plan is recognized in other comprehensive income of the current period, and reflected in retained earnings.
  - (3) Remuneration of employees, directors and supervisors  
Remuneration of employees, directors and supervisors are recognized as expenses and liabilities when there are legal or expected obligations and the amount can be reasonably estimated. If there is a discrepancy between the actual and estimated allotment and the subsequent resolution of the shareholders' meeting, it shall be dealt with the Changes in Accounting Estimates.

(24 ) Share based payment

The share based payment agreement for equity delivery refers to the employee services obtained by measuring the fair value of the equity instruments given on the grant date, which is recognized as remuneration costs during the vested period, and the equity is relatively adjusted.

The fair value of equity instruments should reflect the effects of both acquired and non-vested conditions on the market price.

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

(25 ) Income Tax

1. Income taxes include current and deferred income taxes. Except for the income tax items included in other comprehensive income or equity, which are separately listed in other comprehensive income or directly listed in the Equity, the income tax is recognized in the income.
2. The Group calculates the current income tax based on the tax rate that has been legislated on

the balance sheet date of the country where it operates and generates taxable income. The management regularly evaluates the status of income tax declarations with respect to applicable income tax regulations and, where applicable, estimates the income tax liabilities based on the expected taxes to be paid to the taxation authority. Income tax of retained earnings is levied in accordance with the Income Tax Act. In the next year after the subsequent earnings are generated, after the shareholders' meeting ratified the earning distribution proposal, the distribution of actual earnings will be confirmed and the retained earnings income tax expenses will be recognized.

3. Deferred income tax adopts the balance sheet method, and recognizes the temporary difference between the tax base of assets and liabilities and their book amounts in the consolidated balance sheet. Deferred income tax liabilities arising from the goodwill originally recognized are not recognized. If the deferred income tax originates from the original recognition of assets or liabilities in the transaction and does not affect accounting profits or accounting at the time of the transaction. Tax income (taxable loss) is not recognized. If the temporary difference caused by investing in a subsidiary company, the Group can control the timing of the reversion of the temporary difference, and the temporary difference will not be recognized if it is likely that it will not revert in the foreseeable future. Deferred income tax adopts the tax rate (and Tax Acts) that has been enacted on the balance sheet date and is expected to apply when the relevant deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred tax assets are recognized within the scope where temporary differences are likely to be used to offset future taxable income, and unrecognized and recognized deferred tax assets are reassessed on each balance sheet date.
5. When there is a legal enforcement right to offset the recognized current income tax assets and liabilities, and there is an intention to pay off on a net basis or to realize assets and liabilities at the same time, the current income tax assets and current income tax liabilities are mutually exclusive. When there is statutory enforcement power to offset the current income tax assets and current income tax liabilities, and the deferred income tax assets and liabilities are generated by the same taxpayer taxed by the same tax authority, or by different taxpayers but each entity intends to The deferred income tax assets and liabilities are offset against each other when the net basis is settled or the assets and liabilities are realized at the same time.

#### (26 ) Shares

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

#### (27 ) Dividend distribution

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

#### (28 ) Revenue recognition

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

(29) Government Grant

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

(30) Operating Departments

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

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

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

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

(1) Major Judgments on Accounting Policy

1. Financial assets, impairment on equity investment

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

2. Financial assets, impairment on Account Receivable

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

negotiation.

(2) Major Accounting estimates and assumptions

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

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

VI. Description of important accounting items

(1) Cash and Cash equivalents

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

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

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

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

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

	Year 2020	Year 2019
<u>FVTOCI Equity Instruments</u>		
FVTOCI recognition adjusted	\$ 16,638	\$ (17,675)

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

(3) Amortized cost of financial assets

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

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

(4) Account receivable and Note Receivable

	Dec. 31, 2020	Dec. 31, 2019
Note Receivable(NR)	\$ 18,537	\$ 2,592
Account Receivable(AR)	\$ 2,26 4,779	\$ 2,28 4,650
Less : Allowance	(49,700)	(45,852)



\$	2,21	\$	2,23
	5,079		8,798

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

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

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

- As of December 31, 2020, December 31, 2019, and January 1, 2019, the balance of account receivable (including note receivable) between the Group and its customers was NT 2,283,316 thousand, NT 2,287,242 thousand, and 2,045,650 thousand respectively.
- The Group signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of December 31, 2020, and 2019, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was 727,869 thousand and 738,271 thousand respectively. On December 31, 2020, the valuation adjustment recognized in FVTOCI financial assets was 10,560 thousand; in addition, Accumulated Other comprehensive income reclassified to profits and losses was 9,048 thousand. For information about the transfer of financial assets, please refer to Note 6 (5).
- Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Group's outstanding note receivable on December 31, 2020, and 2019 were NT 18,537 thousand and NT 2,592 thousand respectively; the maximum amount of credit risk exposure of the Group's outstanding account receivable on December 31, 2020, and 2019 were NT 2,264,779 thousand and NT 2,284,650 thousand respectively.
- 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.

- 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.
- As of December 31, 2020, and 2019, the Group has delisted the AR, and the relevant information unexpired is as follows:

Dec. 31, 2020					
Financing	AR sold	Amount delisted	Amount prepaid	Amount unpaid	Rate range(%)

objects					
O-Bank	<u>\$178,478</u>	<u>\$178,478</u>	<u>\$160,550</u>	<u>\$17,928</u>	0.85~1.15
Dec. 31, 2019					
Financing objects	<u>AR sold</u>	<u>Amount delisted</u>	<u>Amount prepaid</u>	<u>Amount unpaid</u>	Rate range(%)
O-Bank	<u>\$328,513</u>	<u>\$328,513</u>	<u>\$295,511</u>	<u>\$33,002</u>	1.05~2.65

(6) Inventory

Dec. 31, 2020			
	<u>Cost</u>	<u>Allowance for price reduction</u>	<u>Book Value</u>
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	<u>\$1,994,796</u>	<u>\$(96,769)</u>	<u>\$1,898,027</u>
Dec. 31, 2019			
	<u>Cost</u>	<u>Allowance for price reduction</u>	<u>Book Value</u>
Raw Material	\$476,742	\$(8,819)	\$467,923
Work in Process	745,708	(15,013)	730,695
Finish Goods	751,927	(67,021)	684,906
Total	<u>\$1,974,377</u>	<u>\$(90,853)</u>	<u>\$1,883,524</u>

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

	Year 2020	Year 2019
Cost of inventory sold	\$ 4,070,631	\$ 4,348,419
Allowances of loss for price decline and idle inventory	7,905	11,504
Income of the sale of scraps and obsoletes	(48,752)	(64,063)
Other	8,440	127
	<u>\$ 4,038,224</u>	<u>\$ 4,295,987</u>

(7) Investments under Equity method

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

	Dec. 31, 2020	Dec. 31, 2019
	\$	\$
KAO FONG MACHINERY CO., LTD	290,162	283,161
LING WEI CO., Ltd.	29,723	32,102
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	3,472	3,109
Subtotal	327,093	322,108
Less: Accumulated Loss	(3,736)	(3,736)
Total	\$ 323,357	\$ 318,372
	Fiscal Year 2020	Fiscal Year 2019
Continuing business unit's	\$	\$
current net profit (loss)	(1,369)	(1,235)
Other comprehensive income (net after tax)	92	(8,922)
Total comprehensive income for the current period	\$ (1,277)	\$ (10,157)

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

Investment profit (loss)

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

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

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

(Blank below)

(8) Real Estate, Plants and Equipment

Year 2020						
Cost	Balance, begin	Additions	Disposals	Transfers	Net difference	Balance, End
	\$	\$	\$	\$	\$	\$
Lands	1,779,124	80,250	-	-	(5,093)	1,854,281
Buildings	3,467,978	151,795	(900)	11,371	(4,559)	3,625,685
Machinery and Equipment	7,508,976	345,576	(102,196)	242,601	7,012	8,001,969
Transportation	56,205	2,453	(323)	-	60	58,395
Utility	58,658	1,535	-	3,978	5	64,176
Other equipment	566,128	117,410	(151,409)	12,285	282	544,696
Projects uncomplete and equipment to be inspected	635,172	563,762	-	(55,454)	2,165	1,145,645
	\$	\$	\$	\$	\$	\$
Subtotal	14,072,241	1,262,781	(254,828)	4,781	(128)	15,294,847
Accumulated Depreciation	Balance, begin	Additions	Disposals	Transfers	Net difference	Balance, End
	\$	\$	\$	\$	\$	\$
Buildings	693,606	96,689	(450)	-	(858)	788,987
Machinery and Equipment	2,398,492	361,689	(97,857)	-	2,127	2,664,451
Transportation	21,615	4,750	-	-	30	26,395
Utility	19,508	3,125	-	-	1	22,634
Other equipment	266,599	133,568	(148,780)	-	140	251,527
	\$	\$	\$	\$	\$	\$
Subtotal	3,399,820	599,821	(247,087)	-	1,440	3,753,994
TOTAL	\$					\$

10,672,421

11,540,853

Year 2019

Cost	Balance, begin	Additions	Disposals	Transfers	Net difference	Balance, End
	\$	\$	\$	\$	\$	\$
Lands	1,401,750	378,447	-	-	(1,073)	1,779,124
Buildings	3,285,908	158,981	-	32,291	(9,202)	3,467,978
Machinery and Equipment	6,397,229	211,220	(54,143)	968,320	(13,650)	7,508,976
Transportation	53,956	2,946	(3,798)	3,240	(139)	56,205
Utility	42,812	2,036	-	13,821	(11)	58,658
Other equipment	438,517	149,128	(24,774)	4,161	(904)	566,128
Projects uncomplete and equipment to be inspected	183,869	518,031	-	(62,635)	(4,093)	635,172
	\$	\$	\$	\$	\$	\$
Subtotal	11,804,041	1,420,789	(82,715)	198	(29,072)	14,072,241
Accumulated Depreciation	Balance, begin	Additions	Disposals	Transfers	Net difference	Balance, End
	\$	\$	\$	\$	\$	\$
Buildings	605,150	89,699	-	-	(1,243)	693,606
Machinery and Equipment	2,118,938	320,605	(41,058)	4,822	(4,815)	2,398,492
Transportation	19,686	4,323	(2,348)	-	(46)	21,615
Utility	16,702	2,808	-	-	(2)	19,508
Other equipment	136,245	160,500	(24,774)	(4,822)	(550)	266,599

	\$	\$	\$	\$	\$	\$
Subtotal	2,896,721	577,935	(68,180)	-	(6,656)	3,399,820
	\$					\$
TOTAL	8,907,320					10,672,421

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

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

(9) Lease transaction as a Lessee

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

Book Value	Dec. 31, 2020	Dec. 31, 2019
Land	\$ 294,353	\$ 304,483
Buildings	21,991	43,817
Transportation equipment	696	338
Other equipment	5	33
Total	\$ 317,045	\$ 348,671
Depreciation	Fiscal Year 2020	Fiscal Year 2019
Land	\$ 7,916	\$ 7,731
Buildings	10,995	15,791
Transportation equipment	4,323	5,218
Other equipment	28	30
Total	\$ 23,262	\$ 28,770

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

	Year 2020				
	Land	Buildings	Transportation equip.	Other equip.	Total
Balance on Jan. 1	\$ 304,483	\$ 43,817	\$ 338	\$ 33	\$ 348,671



Additions	-	-	4,681	-	4,681
Lease modification	(3,523)	(10,776)	-	-	(14,299)
Depreciation	(7,916)	(10,995)	(4,323)	(28)	(23,262)
Net exchange difference	1,309	(55)	-	-	1,254
Balance on Dec. 31	<u>\$ 294,353</u>	<u>\$ 21,991</u>	<u>\$ 696</u>	<u>\$ 5</u>	<u>\$ 317,045</u>

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

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

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

6. The total lease cash outflows of the Group in 2020 and 2019 were NT 34,078 thousand and 30,743 thousand respectively.
- (10) Lease transaction as a Lessor

- 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.
- The benefits of the Group based on the business leases recognized in the year 2020 and 2019 are as follows:

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

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

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

(11) Other non-current assets

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

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

(12) Short-term Loan

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

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

(13) Short-term notes & bills payable

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

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

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

(14) Other Payables

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

(15) Long-term Loan

Unit: NT thousand dollars

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

Unit: NT thousand dollars

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

Total

\$	5,217,475
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1.

- (1) On June 4, 2019, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 1,000,000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 500,000 thousand, and the undrawn amount was NT 500,000 thousand.
- (2) On May 3, 2016, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 3,000,000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 1,133,704 thousand, and the undrawn amount was NT 810,000 thousand.

In addition to other relevant regulations, the above-mentioned syndication loan contract includes the following restrictions: during the credit period, the following financial ratios shall be maintained, and be reexamined in the financial statements verified by the accountant every six months.

- A. The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line)] shall keep at 100% (inclusive) or more.
- B. The Liabilities ratio (Liabilities/tangible assets net value) shall keep below 220% (inclusive) in 2013 and 2014, and below 200% (inclusive) after 2015 (inclusive).
- C. The minimum net value of tangible assets shall keep at more than NT 4 billion.

- (3) During the credit period and the provisions of the syndication loan contract, the Company must follow specific financial ratios at the end of the year and half of the year, such as the current ratio, debt to equity ratio, and interest protection multiple requirements. As of December 31, 2020, the Company has not violated the above restrictions.

2. On July 18, 2019, the Group signed a low-interest loan contract with First Commercial Bank to supplement the use of medium-term working capital. The loan interest is based on Chunghwa Post's two-year time deposit floating interest rate adds 0.1% is paid on a monthly basis and will be adjusted when the pricing interest rate is adjusted.

(16) Government Grant

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

(17) Pension

1.

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

the Labor Pension Fund Supervisory Committee.

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

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

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

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

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

	Present value of Defined benefit Liabilities	Fair value of project assets	Net defined benefit liabilities
Year 2019			
Balance on Jan. 1	\$ 243,847	\$ (115,799)	\$ 128,048
Current Service Cost	2,702	-	2,702
Interest Expense (Income)	1,813	(903)	910
Subtotal	248,362	(116,702)	131,660
Remeasurement:			
planned asset earning	-	(4,316)	(4,316)
(Exclude money in interest income or expenses)			
Changes by Demographic assumptions Impact	117	-	117

Changes by Financial assumptions impact	1,992	-	1,992
Adjustment by Experience	(20,688)	-	(20,688)
Subtotal	(18,579)	(4,316)	(22,895)
Provision to the Pension fund		(15,191)	(15,191)
Pension payment	(4,473)	4,473	
Balance on Dec. 31	\$ 225,310	\$ (131,736)	\$ 93,574



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

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

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

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

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

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

- (6) The Company's estimated payment for the retirement plan in the year 2021 is NT 7,850 thousand.
- (7) As of December 31, 2020, the weighted average duration of the retirement plan was 8 years. An analysis of the grant date of the retirement payment is as follows:

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

Total

\$  
205,694

2.

- (1) Since July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution plan procedures in accordance with the "Labor Pension Act", which are applicable to domestic employees. The Company applies the labor retirement pension system stipulated by the "Labor Pension Act" for employees' choice, with a monthly contribution of 6% of the salary to the employee's personal account of The Bureau of Labor Insurance, and the payment depends on the employee's personal pension. The amount of the special account and accumulated income is received in the form of a monthly pension or a lump-sum pension.
- (2) The regular employees of HOTATECH, INC. who have served for more than one year shall adopt a defined contribution plan. Employees can withdraw within 15% of the salary into an independent retirement fund account. Correspondently, the Company should withdraw a certain proportion of the employee's withdrawal amount and recognized it as the current expense.
- (3) In accordance with China's Retirement and Pension System, the subsidiary company in China draws different proportions of retirement benefits each month according to the level of employees, and allocates them to the authority designated by the Government. After the fund is allocated, it will be handled by the Government labor department. No matter the fund is insufficient or excess, it is irrelevant to the subsidiary company.
- (4) In the year 2020 and 2019, the company recognized the cost of retirement payment according to the above-mentioned method are NT 32,166 thousand and NT 42,800 thousand respectively.

#### (18) Share-Based Payments

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

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

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:

<u>Types of Agreements</u>	<u>Grant Date</u>	<u>Stock Value</u>	<u>Strike Price</u>	<u>Volatility</u>	<u>Duration</u>	<u>Dividend</u>	<u>Interest Rate</u>	<u>Fair value</u>
Cash capital increase to retain employee subscription	December 15, 2020	105	90	-	-	-	-	-
-	15							

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

2020

Equity-settled \$ 20,895

For the year ended December 31, 2019: None.

#### (19) Share capital

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

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

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

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

### 3. Treasury Stock

- (1) For considerations of Company management, by the resolution of Board of Directors on March 26, 2020, it is decided to buy back the Company stock of the number of 6,000 thousand shares with the buyback price between NT\$60 and NT\$90 from March 27, 2020 to May 26, 2020. As of December 31, 2020, 439 thousand shares have been bought back by the Company with the total amount of NT\$35,010,000.
- (2) According to the Securities and Exchange Act, the number of shares bought back may not exceed ten percent of the total number issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.
- (3) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.
- (4) Pursuant to the Securities and Exchange Act, where the buyback is for transferring shares to its employees shall be transferred within five years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and amendment registration shall be processed. Where the buyback is required to maintain the Company's credit and shareholders' rights and interests, and the shares so purchased are cancelled for which amendment registration shall be effected within six months from the date of buyback.

### (20) Capital reserve

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

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

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

2019

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

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

## (21) Retained earnings

- 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.
- The Company dividend policy is as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ration for cash dividend shall not lower than 20% of total distribution.
- 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.
- (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

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

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

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

(22) Other equity items

	2020			
	Financial statements translation differences of	Debit instrument unrealized valuation profit (loss) measured at fair value through other	Equity instrument unrealized valuation profit (loss) measured at fair value through other	
	<u>foreign operations</u>	<u>comprehensive income</u>	<u>comprehensive income</u>	<u>Total</u>
Valuation adjustments at January 1	(\$ 32,179)	(\$ 20,881)	\$ 4,824	(\$ 48,236)
– Group	-	10,321	16,061	26,382
– Associates	-	-	4,416	4,416
Valuation adjustments transfer into retained earnings	-	-	( 7,436)	( 7,436)
Differences for foreign currency translation:				
–Group	( 8,145)	-	-	( 8,145)
–Tax for Group	2,192	-	-	2,192

–Associates	(	4,324)	-	-	(	4,324)
–Tax for associates		<u>35</u>	<u>-</u>	<u>-</u>		<u>35</u>
At December 31	(\$	<u>42,421</u> )	(\$	<u>10,560</u> )	\$	<u>17,865</u>
					(\$	<u>35,116</u> )



2019

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

(23) Operating revenue

	2020	2019
Revenue from contracts with customers	\$ 5,211,042	\$ 5,968,347
1. Disaggregation of revenue from contracts with customers		

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

	2020				
	Transmission components for car				
	USA	China	Taiwan	Other regions	Total
Revenue from segments	\$3,744,528	\$573,994	\$300,056	\$692,940	\$5,311,518
Revenue from internal segments transaction	( 23,995)	( 18,171)	-	-	( 100,47)
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

<u>\$3,720,533</u>	<u>\$555,823</u>	<u>\$241,746</u>	<u>\$692,940</u>	<u>\$5,211,042</u>
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- (1) USA: HOTA Industrial NT\$3,683,173,000 and others NT\$ 37,360,000.
- (2) China: HOTA Industrial NT\$184,870,000 and others NT\$370,953,000.
- (3) Taiwan: HOTA Industrial NT\$ 202,262,000 and others NT\$39,484,000.
- (4) Others: HOTA Industrial NT\$692,940,000.

2019

	Transmission components for car				
	<u>USA</u>	<u>China</u>	<u>Taiwan</u>	<u>Other regions</u>	<u>Total</u>
Revenue from segments	\$4,673,577	\$373,291	\$328,631	\$729,593	\$6,105,092
Revenue from internal segments transaction	( 48,550)	( 17,691)		-	( 136,74)
Revenue from external customer contracts	<u>\$4,625,027</u>	<u>\$355,600</u>	<u>\$258,127</u>	<u>\$729,593</u>	<u>\$ 5,968,347</u>
Revenue recognition time					
Revenue recognition at a point of time	<u>\$4,625,027</u>	<u>\$355,600</u>	<u>\$258,127</u>	<u>\$729,593</u>	<u>\$ 5,968,347</u>

(1) USA: HOTA Industrial NT\$ 4,540,713,000 and others NT\$84,314,000.

(2) China: HOTA Industrial NT\$162,571,000 and other NT\$139,029,000.

(3) Taiwan: HOTA Industrial NT\$201,834,000 and others NT\$56,293,000.

(4) Others: HOTA Industrial NT\$729,593,000.

2. Contract assets and contract liabilities: None.

(24) Interest income

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

(25) Other income

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

(26) Other gains and losses

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

(27) Finance costs

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

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

	<u>2020</u>	<u>2019</u>
Employee benefit expense		
Salaries and wages	\$ 712,010	\$ 705,603
Labor and health insurance	76,536	88,306
Pension	33,905	41,634
Other personnel expenses	\$ 5,005	\$ 5,700
	<u>\$ 827,456</u>	<u>\$ 841,243</u>
Depreciation on property, plant and equipment	\$ 599,821	\$ 577,935
Depreciation on right-of-use assets	\$ 22,260	\$ 20,770
Amortization	<u>\$ 10,067</u>	<u>\$ 0,775</u>

1. The numbers of employees of the Group for 2020 and 2019 were 1,279 and 1,303 respectively, and among them, directors who were not concurrent employees, were 10 and 10, respectively.
2. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be less than 2% for employees' compensation and shall not be higher than 5% for directors' remuneration.
3. For the years ended December 31, 2020 and 2019, employee's compensation and directors' remuneration were accrued at as follows:

	<u>2020</u>	<u>2019</u>
Employees' compensation	\$ 6,716	\$ 16,312

Directors' remuneration	3,521	9,549
	<u>\$ 10,237</u>	<u>\$ 25,861</u>

The aforementioned amounts were recognized in salary expenses.

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

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

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

## (29) Income tax

### 1. Income tax expense

#### (1) Components of income tax expense:

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

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

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

### 2. Reconciliation between income tax expense and accounting profit

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

Income tax expense	\$ <u>38,488</u>	\$ <u>91,870</u>
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3. Amounts of deferred tax assets and liabilities as a result of temporary differences and tax are as follows:

	2020			
	<u>January 1</u>	Recognized in <u>profit or loss</u>	Recognized in <u>other</u> <u>comprehensive</u> <u>income</u>	<u>December 31</u>
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	<u>5,554</u>	<u>( 284)</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 57,202</u>	<u>\$ 6,489</u>	<u>(\$ 348)</u>	<u>\$63,343</u>
— 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	<u>( 1,417)</u>	<u>-</u>	<u>-</u>	<u>( 1,417)</u>
Subtotal	<u>(\$ -)</u>	<u>\$ 7,656</u>	<u>\$ 2,227</u>	<u>(\$ -)</u>
Total		<u>\$ 14,145</u>	<u>\$ 1,879</u>	



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

4. Deductible temporary difference of unrecognized deferred tax assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deductible temporary difference	<u>\$ 6,775</u>	<u><del>\$ 6,755</del></u>

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

(30) Earnings per share

<u>2020</u>			
Earnings	Weighted average number of ordinary shares of outstanding		per share
	<u>Amount after tax (shares in thousands)</u>		<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 286,094</u>	<u>254,625</u>	<u>\$ 1.12</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	286,094	254,625	
Assumed conversion of all dilutive potential ordinary share			
Employees' compensation	<u>-</u>	<u>118</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 286,094</u>	<u>254,743</u>	<u>\$ 1.12</u>
		<u>2019</u>	
<u>2019</u>			
	Weighted average number of ordinary shares of outstanding		Earnings per share
	<u>Amount after tax (shares in thousands)</u>		<u>(in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 649,123</u>	<u>254,957</u>	<u>\$ 2.55</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	649,123	254,957	
Assumed conversion of all dilutive potential ordinary share			
Employees' compensation	<u>-</u>	<u>186</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares			

\$ 649,123

255,143

2.54

\$

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

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(31) Supplemental cash flow information

Investing activities with partial cash payments :

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

(32) Changes in liabilities from financing activities

Short-term	Short-term commercial	Dividend				Liabilities from
	Long-term		Lease liabilities	loans	financing	
	<u>borrowings</u>	<u>papers payable</u>				<u>activities-gross</u>
		<u>payable</u>			-	
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	<u>10,342</u>	<u>-</u>	<u>( 125)</u>	<u>6,306</u>	<u>-</u>	<u>16,523</u>
December 31, 2020	<u>\$2,088,753</u>	<u>\$600,000</u>	<u>\$275,839</u>	<u>\$7,245,965</u>	<u>\$ -</u>	<u>\$10,210,557</u>
		Short-term Commercial				Liabilities from financing
	<u>Short-term borrowings</u>	<u>papers payable</u>	<u>Lease liabilities</u>	<u>Long-term loans</u>	<u>Dividend</u>	<u>activities-gross</u>
		<u>payable</u>				
January 1, 2019	\$1,428,712	\$250,000	\$314,393	\$4,819,563	\$ -	\$ 6,812,668
Changes in cash flow from financing activities	(289,237)	310,000	( 30,743)	2,024,609	( 892,348)	1,122,281
Increase during the year					892,348	892,348
Changes in other non-cash items	-	-	17,885	-	-	17,885
Impact of changes in foreign exchange rate	<u>( 19,345)</u>	<u>-</u>	<u>4,630</u>	<u>( 14,240)</u>	<u>-</u>	<u>( 28,955)</u>

December 31, 2019	<u>\$1,120,130</u>	<u>\$560,000</u>	<u>\$306,165</u>	<u>\$6,829,932</u>	<u>\$ -</u>	<u>\$ 8,816,227</u>
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## 7. Related party transactions

### (1) Names of related parties and relationship

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

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

### (2) Significant related party transactions

#### 1. Operating revenue

	<u>2020</u>	<u>2019</u>
Sale of goods:		
Associates	\$ 1,084	\$ 684
Other related parties	<u>11,842</u>	<u>21,534</u>
	<u>\$ 12,926</u>	<u>\$ 22,218</u>

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

	<u>2020</u>	<u>2019</u>
Purchase of goods	\$ 98	\$ -
Associates		
Other related parties	<u>127</u>	<u>4,405</u>
	<u>\$ 225</u>	<u>\$ 4,405</u>

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

<u>2020</u>	<u>2019</u>
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Associates	\$ <u>49,467</u>	\$ 54,139
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Processing cost for the Group is conducted under standard processing price and conditions, and payment will be done within 60~120 days after the acceptance of goods.



4. Receivables from related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable		
Associates	\$ 291	\$ 567
Other related parties	-	31
Total	<u>\$ 291</u>	<u>\$ 598</u>

5. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables:		
Associates	\$ 6,606	\$ 8,907
Other related parties	234	-
Total	<u>\$ 6,840</u>	<u>\$ 8,907</u>

6. Other noncurrent assets

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

7. Property transactions

(1) Purchase of property transaction

	<u>2020</u>	<u>2019</u>
Associates	\$ 11,899	\$ 10,645
Other related parties	1,619	70,130
	<u>\$ 13,518</u>	<u>\$ 80,775</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Associates	\$ 324	\$ 3,341
Other related parties	80	-
	<u>\$ 404</u>	<u>\$ 3,341</u>

8. Leasing Agreement-lessee

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

(2) Acquisition of right-of-use assets

	<u>2020</u>	<u>2019</u>
Associates	<u>\$ -</u>	<u>\$ 5,553</u>

### (3) Lease liabilities

#### A. Outstanding balance

Associates

#### B. Interest expense

Associates

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	\$ -	\$ 5,596
	<u>2020</u>	<u>2019</u>
	\$ 27	\$ 118

### (3) Key management compensation

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

### 8. Pledged Assets

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

### 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

1. As of December 31, 2020 and 2019, Letter of Credit issued but not used for purchasing of raw material and machinery equipment was NT\$153, 517,000 and NT\$202,793,000, respectively.
2. Capital expenditure on contract signed but not occurred yet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	<u>\$ 354,170</u>	<u>\$ 734,878</u>

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

#### 10. Significant Disaster Loss

None.

## 11. Significant Events After the Balance Sheet Date

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

## 12. Others

### (1) Capital management

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 11,944,132	\$ 10,530,924
Total assets	18,351,175	17,155,852
Ratio of liabilities to assets	65.09%	61.38%

### (2) Financial instruments

#### A. Financial instruments by category

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

Financial liabilities

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

B. Financial risk management policies

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, JPY and RMB. Foreign exchange rate risk arises from future commercial transactions and recognized assets and liabilities.
- ii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign exchange risk arising from net assets of the Group's foreign operations is managed through relevant borrowings denominated in foreign currencies. Please refer to Note 6(15).
- iii. The Group's businesses involve some non-functional currency operations (the Company and part of subsidiaries' functional currency: TWD, part of subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(below blank )

December 31, 2020

Book value —

Sensitivity analysis

(Foreign currency:

functional currency)

Foreign currency

Degree of

Effect of other

amount (in thousands)

Exchange rate

(TWD

) variation

Effect of profit or loss comprehensive income

Financial assets

Monetary items

USD : TWD	\$ 73,873	28.48	\$ 2,103,903	1%	\$ 21,039	\$ -
JPY : TWD	44,196	0.28	12,375	1%	124	-
EUR : TWD	7,375	35.02	258,273	1%	2,583	-
RMB : TWD	5,484	4.38	24,020	1%	240	-
USD : RMB	334	6.45	2,154	1%	22	-

‡ Investment in

<u>equity instruments</u>	\$ 122	28.48	\$ 3,472	1%	\$ -	\$ 35
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USD : TWD

Financial liabilities

‡ Monetary items

JPY : TWD	\$ 127,798	0.28	\$ 35,783	1%	\$ 358	\$ -
USD : RMB	12,949	6.45	83,521	1%	835	-
USD : TWD	520	28.48	14,810	1%	148	-
EUR : TWD	103	35.02	3,607	1%	36	-
CHF : TWD	2,124	32.31	68,626	1%	686	-

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



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

#### Price risk

- a. The Group is exposed to price risk as the Group holds equity securities financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In order to manage price risk of the investments in equity instruments, the Group diversifies its portfolio and executing based on the limits set by the Group.
- b. The Group's primary investments are in equity instruments and open-end funds issued by domestic companies, which equity instruments price will be affected due to uncertainties of future value on the investment targets. If that equity instruments price increase or decrease by 5% with all other factors remain constant, gains or losses in equity instruments at fair value through other comprehensive income increased of NT\$9,246,000 and NT\$8,970,000, respectively.

#### Cash flow and fair value interest risk

- A. The Group's interest risk primarily comes from long-term loans at floating rates, that the Group is exposed to cash flow interest rate risk. As of December 31, 2020 and 2019, the Group's loans at floating interest rates are denominated in New Taiwan Dollars, US Dollars, Japanese Yen and CNY Dollars.
- B. The Group entered into interest rate swap contracts of converting borrowings from floating rates to fixed rates for management of interest rate risk, and that swap between the Group and the counterparty was agreed in a specific period (mainly per each season) of the differences at between fixed rates and floating rates based on a notional principal amount. The rise of long-term loans of the Group is at floating rates and transfer into fixed rates through interest rate swap, that the interest rate will be smaller than fixed rates the Group directly obtains for loans.
- C. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT\$16,075,000 and NT\$16,154,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.
- D. When the loans denominated in CNY Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT\$1,282,000 and NT\$903,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.
- E. When the loans denominated in US Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT\$360,000 and NT\$18,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

#### (B)Credit risk

- a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts

receivable and notes receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost and at fair value through other comprehensive income.

- b. For banks and financial institutions, only well-known rated parties with optimal credit rating in domestic or overseas are acceptable by the Group, and the Group cooperates with couple of banks and financial institutions in the meantime, instead of only a single party to reduce credit risk. Financial services or terms and conditions of loans provided by banks and institutions are according to the Group internal delegation of authority, that shall be executed by approval of the Board of Directors or delegated supervisors. Any paper that can only be signed with correspondent banks and financial institutions, shall be inspected by specialists of legal department or legal consultants to avoid legal risk. The Group periodically reviews the correspondent banks and financial institutions about their credit ratings and service conditions, qualities and contacts, and according to operating conditions, the Group periodically monitors to maintain reasonable credit limits and utilization of credit limits that ensures to satisfy the operational needs.
- c. The Group adopts the following assumptions under IFRS 9, if there has been a significant increase in credit risk on that instrument since initial recognition:
  - (i) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) Bond investments traded at Taipei Exchange (“TPEX”) is recognized as low credit risk when that instruments in balance sheet are as investment grade rated by any of external rating agencies.
- d. When independent credit rating set for an investment target is downgraded by two levels, the Group’s judgement on that investment has been a significant in credit risk.
- e. When the default rate of an investment target is more than 77.05%, the Group’s judgement on that investment has been a significant in credit risk.
- f. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 360 days.
- g. The Group classifies customers’ accounts receivable in accordance with customer rating types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- h. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
  - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- i. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will

continue executing the recourse procedures to secure their rights.

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

<u>December 31, 2020</u>			
	<u>Expected loss rate</u>	<u>Total book value</u>	<u>Loss allowance</u>
Not past due	0.01%	\$ 1,934,807	\$ 179
Up to 120 days	0.38%	232,660	892
Up to 121-240 days	21.01%	56,123	11,794
Up to 241-360 days	77.05%	18,974	14,620
More than 361 days	100	19,798	19,798
<b>Total</b>		<u>\$ 2,262,362</u>	<u>\$ 47,283</u>

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

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

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

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

(C) Liquidity

\$ 45,852

- a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group will not violate the relevant limits or terms of loans. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- b. The loan limits of NT\$2,555,230,000 have not been utilized.
- c. The Group's non-derivative financial liabilities in the following table are categorized based on the maturity date and are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020

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

December  
31, 2019

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

(C) Fair value information

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

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

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

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

The Group's investments in inactive market derivatives are included.

2. The Group's financial instruments which are not at fair value measurements are including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, and other payables, book value of them are reasonable approximation of fair value.
3. The Group's financial and non-financial instruments measured at fair value are basically categorized in nature, characteristic and risk, and degree of assets and liabilities. The information is as follows:

(1) Category of assets and liabilities by nature:

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

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

(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:

	<u>Publicly traded stocks</u>	<u>Open-end funds</u>
Quoted market prices	Closing price at valuation date	Net value at valuation date

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

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 80,874	\$ 90,729
Purchase in the current year	6,503	2,239

Profit recognized in other comprehensive income	( <u>22,961</u> )	( <u>12,094</u> )
Balance, end of year	\$ <u><u>64,416</u></u>	\$ <u><u>80,874</u></u>

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

	December 31, 2020	Valuation	Material	Range	Relation of
	<u>Fair value</u>	<u>Technique</u>	<u>unobservable inputs</u>	<u>(Weighted average)</u>	<u>inputs and fair value</u>
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		Net assets valuation method			
	39,924		Not applicable	39,924	Not applicable

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

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

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



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

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsement and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods (transactions amount reaching NT\$10 million or more): Please refer to table 4.

#### (2) Information on investees

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

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

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

#### (4) Major shareholders information

Major shareholders information: Please refer to table 7.

#### 14. Segment Information

##### (1) General information

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

##### (2) Measurement of segment information

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

##### (3) Information about segment income, assets and liabilities

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

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

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

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

3. The Group's reportable operating segment classifies business organization by category of operating companies.
4. The Group major revenues are mainly from manufacture and sales of automobile, motorcycle, agricultural machinery, and gear, shaft and various kinds of transmission components of machine tool.

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

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

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

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

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

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

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

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

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:

	<u>2020</u>	<u>2019</u>
Sale of goods	<u>\$ 5,211,042</u>	<u>\$ 5,968,347</u>

(6) Geographical information

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

	<u>2020</u>		<u>2019</u>	
<u>Country</u>	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current assets</u>
USA	\$ 3,720,533	\$ 286,739	\$ 4,625,027	\$ 93,645
China	555,823	731,219	355,600	614,966
Taiwan	241,746	11,458,149	258,127	10,847,483
Others	692,940	-	729,593	-

Total	<u>\$ 5,211,042</u>	<u>\$ 12,476,107</u>	<u>\$ 5,968,347</u>	<u>\$ 11,556,094</u>
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The Company geographical revenues are calculated in countries. Non-current assets refer to property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets, but not including investments in equity instruments, financial instruments, and deferred tax assets.

(7) Major customer information

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

	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Segment</u>	<u>Amount</u>	<u>Segment</u>
A company	\$ 1,620,691	HOTA	\$ 2,362,413	HOTA
B company	1,837,012	HOTA	1,727,105	HOTA
	<u>\$3,457,703</u>		<u>\$ 4,089,518</u>	
	(below blank )			

## HOTA CORPORATION AND SUBSIDIARIES

## Loans to others

Year ended December 31, 2020

TABLE 1

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

Note 2: The ceiling on total loans to others is the Company net assets, the limit is 40% of the Company net assets.

Note 3: Limit on loans granted for a single party is 20% of the net assets of the Company.

Note 4: (1)For business transactions.

(2)For short-term financing.

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

Note 6: The amount of ending balance was equal to the limit on loans as approved by the Board of Directors.



HOTA CORPORATION AND SUBSIDIARIES  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

TABLE 2

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

- (1)The Company is '0'.
- (2)The subsidiaries are numbered in order starting from '1'.

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

- (1).A company with which the Company conducts business.
- (2).A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
- (3).A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.
- (4).Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.
- (5).A company fulfilling its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6).A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7).Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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

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

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

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

HOTA CORPORATION AND SUBSIDIARIES  
Holding of marketable securities (not including subsidiaries, associates and joint ventures)  
December 31, 2020

TABLE 3

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

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

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

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

HOTA CORPORATION AND SUBSIDIARIES  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

TABLE 4

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

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

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

HOTA CORPORATION AND SUBSIDIARIES  
Information on investees  
December 31, 2020

TABLE 5

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

Note 1 : The book value of the long-term investment is the balance after the impairment loss of RMB 3,736 thousand has been recognized.

Note 2 : Recognize investment gains and losses through each subsidiary.

Note 3 : KAO FONG MACHINERY CO., LTD. is jointly held by Hota Industrial Manufacturing CO., LTD. And Howin Precision Company Limited and Hozuan investment Company Limited. Its total shareholding ratio is 16.11%, and the investment loss recognized by the Group totals 1,968 thousand yuan.

Note 4 : The transactions were eliminated when preparing the consolidated financial statements.

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

TABLE 6

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

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

Note 1 : Investment methods are classified into the following three categories:

(1)Directly invest in a company in Mainland China.

(2)Investments through a holding company registered in a third region.

(3)Others.

Note 2 : Wuxi Hoda Precision gear Company Limited the paid-in capital is US\$6,000,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$5,800,000.

Note 3 : Howon(Whaian)automobile components Company Limited the paid-in capital is US\$10,600,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$10,600,000.

Note 4 : Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 prevailing on December 31, 2020.

Note 5 : The profit and loss of the Shanghai Development Investment Company is the share of the profit and loss of the subsidiary and the grandson company recognized in the financial statements audited by accountants during the same period.

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

Note 1 : According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

Note 2 : Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$16,400,000.

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

TABLE 7

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

**(V) Parent-company-only financial statements for the most recent fiscal year**

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

Independent Auditor's Report

(110) Ministry of Finance approved No.20004692

The Board of Directors and Shareholders

Hota Industrial Manufacturing Company Limited Public

**Opinion**

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

In our opinion, the accompanying individual financial statements present fairly, according to our audit result and audit reports from other accountants(please refer to "Others" section),the individual financial position of the Company as of December 31,2020 and 2019,and its individual financial performance and its individual 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 Individual Financial Statement section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of china and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Key audit matters for the company's individual financial statements for the year ended December 31, 2020 are stated as follows:

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

#### Notes

With regard to the accounting policy on income recognition, please refer to Note 4 (27) of the individual financial report.

The Company 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 Company 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 (13) of the individual financial report. For important accounting estimates and assumptions for inventory evaluation, please refer to Note 5 (2) of the individual financial report. Please refer to Note 6 (6) of the individual financial report for the description of the inventory allowance loss. The Company's inventory and inventory allowance losses as of December 31, 2020 were NT\$1,750,240 thousand and NT\$74,202 thousand, respectively.



The Company 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 Company 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 obsolescence often involves subjective judgments and therefore a high degree of uncertainty in estimation exists. Considering the Company's inventory and its allowance for depreciation losses have a significant impact on the financial statements. The accountant believes that the Company's inventory depreciation loss evaluation is one of the most important items in this year's audit.

#### Corresponding verification procedures

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

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

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

The company's individual 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 individual financial statements, the amounts listed in the financial statements of these companies are based on the audit reports of other accountants. The amount of investment using the equity method on December 31, 2020 and December 31, 2019 were NT\$45,707 thousand and 48,373 thousand, respectively, accounting for 0.27% and 0.29% of the total assets respectively. From January 1<sup>st</sup> to December 31<sup>st</sup> 2020 and from January 1<sup>st</sup> to December 31<sup>st</sup> 2019, the comprehensive profits recognized by the equity method were NT\$258 thousand in losses and NT\$2,374 thousand in benefits, respectively, each accounting for 0.08% and 0.37% of comprehensive profit and loss.

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

Management is responsible for the preparation and fair presentation of the individual 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 individual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

7. Identify and assess the risks of material misstatement of the individual 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.
8. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
9. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

10. 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
11. Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the Individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Individual 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 where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of significance in the audit of the individual financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.: 1090350620

1050035683

March 17, 2021

## Hota Industrial Manufacturing Company Limited

## Individual Balance Sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

ASSETS			December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
CURRENT ASSETS						
1100	Cash and cash equivalents	6(1)	\$ 687,561	4	\$ 377,446	2
1120	Financial assets at fair value through profit or loss	6(2)	76,039	1	61,292	-
1136	Hedging financial assets	6(3)	57,355	-	606	-
1150	Notes receivable, net	6(4)	9,842	-	581	-
1170	Accounts receivable, net	6(4)	2,041,334	12	2,161,425	13
1180	Other receivables from related parties,net	7(2)	18,665	-	19,346	-
1200	Other receivable	6(5) , 7(2)	40,778	-	253,763	2
130X	Inventories	6(6)	1,676,038	10	1,725,258	11
1470	Other current assents		129,732	1	142,325	1
11XX	<b>Total current assets</b>		4,737,344	28	4,742,042	29
NONCURRENT ASSETS						
1517	Financial assets at fair value through profit or loss	6(2)	57,650	-	74,492	1
1550	Investments accounted for using equity method	6(7)	860,624	5	885,056	5
1600	Property, plant and equipment	6(8) , 8	10,476,818	62	9,891,452	60
1755	Right-of-use assets	6(9)	257,098	2	284,281	2
1780	Intangible assets		7,034	-	13,169	-
1840	Deferred income tax assets	6(30)	60,604	-	55,037	-
1900	Other noncurrent assets	6(11)	545,418	3	465,999	3
15XX	<b>Total noncurrent assets</b>		12,265,246	72	11,669,486	71
1XXX	<b>TOTAL</b>		\$ 17,002,590	100	\$ 16,411,528	100

(continue in next page)

## Hota Industrial Manufacturing Company Limited

## Individual Balance Sheet

2020 and 2019 December 31

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY		Note	December 31, 2020		December 31, 2019	
			Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>						
2100	Short-term loans	6(12), 8	\$ 1,850,370	11	\$ 1,000,753	6
2110	Short-term bills payable	6(13)	600,000	4	560,000	3
2150	Notes payable		425,000	2	381,778	2
2170	Accounts payable	7(2)	438,171	3	428,330	3
2200	Other payable	6(14), 7(2)	435,034	3	562,293	4
2230	Income tax payable	6(30)	42,911	-	97,579	1
2280	Lease liability — Current		13,874	-	15,811	-
2320	Long-term liabilities due within one year or business cycle	6(15)	1,997,512	12	1,475,209	9
2399	other current liabilities		69,321	-	10,177	-
21XX	Total current liabilities		5,872,193	35	4,531,930	28
<b>NONCURRENT LIABILITIES</b>						
2540	Long-term loan	6(15), 8	4,344,727	26	4,887,208	30
2570	Deferred income tax liabilities	6(30)	54,357	-	64,241	-
2580	Lease liability — noncurrent	6(9)	246,790	1	270,487	2
2600	Other noncurrent liabilities	6(17)	131,965	1	89,086	-
25XX	Total noncurrent liabilities		4,777,839	28	5,311,022	32
2XXX	Total liabilities		10,650,032	63	9,842,952	60
<b>EQUITY</b>						
Capital		6(19)				
3110	Common shares		2,545,175	15	2,549,565	15
Capital reserve		6(20)				
3200	Capital surplus		1,906,479	11	1,916,204	12
Capital reserve		6(21)				
3310	Legal reserve		660,162	4	593,292	4
3320	Special reserve		48,236	-	23,850	-
3350	unappropriated earnings		1,227,622	7	1,533,901	9
Other equity		6(22)				
3400	Other equity		( 35,116)	-	( 48,236)	-
3XXX	Total equity		6,352,558	37	6,568,576	40
Commitments and contingencies		9				
Significant subsequent events		11				
3X2X	<b>Total liabilities and equities</b>			10		
			\$ 17,002,590	0	\$ 16,411,528	100

The accompanying notes are an integral part of the parent company only financial statements.

Hota Industrial Manufacturing Company Limited  
Individual Statements of Comprehensive Income  
2020 and 2019 January 1 to December 31

		(In Thousands of New Taiwan Dollars)					
		(Except for earnings per share of New Taiwan dollars)					
			2020		2019		
	Item	Note	Amount	%	Amount	%	
4000	Net Revenue	6(23) , 7					
		(2)	\$ 4,787,240	100	\$ 5,683,259	100	
5000	Cost of revenue	6(6)(28)					
		(29) , 7					
		(2)	( 3,669,401)	( 76)	( 4,075,052)	( 72)	
5900	Gross profit		1,117,839	24	1,608,207	28	
5910	Unrealized loss of sales		1,432	-	2,773	-	
5950	Net operating profit		1,119,271	24	1,610,980	28	
	Operating Expenses	6(28)					
		(29)					
6100	Marketing		( 451,722)	( 10)	( 501,266)	( 9)	
6200	administrative		( 97,367)	( 2)	( 113,863)	( 2)	
6300	Research and development		( 108,631)	( 2)	( 144,459)	( 2)	
6450	Expected credit impairment loss		( 5,674)	-	( 4,500)	-	
6000	Total Operating Expenses		( 663,394)	( 14)	( 764,088)	( 13)	
6900	Operation interest		455,877	10	846,892	15	
	Other gains and losses						
7100	Interest income	6(24)	3,399	-	6,141	-	
7010	Other income	6(25)	80,510	2	16,231	-	
7020	Other gains and losses	6(26)	( 107,801)	( 2)	( 39,654)	( 1)	
7050	Finance costs	6(27)	( 94,946)	( 2)	( 81,071)	( 1)	
7070	Share of other comprehensive gain of subsidiaries on investments in equity instruments at fair value	6(7)	( 19,370)	( 1)	( 18,571)	-	
7000	Total Other gains and losses		( 138,208)	( 3)	( 116,924)	( 2)	
7900	Net profits before tax		317,669	7	729,968	13	
7950	Income tax	6(30)	( 31,575)	( 1)	( 80,845)	( 2)	
8200	Net profits		\$ 286,094	6	\$ 649,123	11	

(continue in next page)

Hota Industrial Manufacturing Company Limited  
Individual Statements of Comprehensive Income  
2020 and 2019 January 1 to December 31

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

	Item	Note	2020		2019	
			Amount	%	Amount	%
	<b>Other comprehensive income(loss), net</b>					
	Items Not reclassified to profit or loss					
8311	Measure on defined benefit plans	6(17)	\$ 1,863	-	\$ 23,104	-
8316	The share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures recognized using the equity method-items not reclassified to profits and losses		9,009	-	( 11,526)	-
8330	The share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures recognized using the equity method-items not reclassified to profits and losses -		11,338	-	( 13,583)	-
8349	Income tax related to items not reclassified to profit or loss	6(30)	( 373)	-	( 4,620)	-
8310	Total not reclassified to profit or loss		21,837	-	( 6,625)	-
	<b>Items that may be reclassified to profit and loss in the future</b>					
8361	Currency conversion difference in the conversion of financial statements of foreign operating organizations		( 8,145)	-	( 16,403)	-
8367	Net unrealized appraisal of gains and losses of debt instrument investments measured at fair value through other comprehensive gains and losses		10,321	-	15,603	-
8380	The share of other comprehensive profits and losses of subsidiaries, affiliates and joint ventures recognized using the equity method-items that may be reclassified to profits and losses		( 4,324)	-	( 1,303)	-
8399	Income tax related to items not reclassified to profit or loss	6(30)	2,227	-	1,594	-
8360	<b>Total Items that may be reclassified to profit and loss</b>		79	-	( 509)	-
8300	<b>Other comprehensive net gains/losses</b>		\$ 21,916	-	(\$ 7,134)	-
8500	<b>Total comprehensive gains/losses</b>		\$ 308,010	6	\$ 641,989	11
	Basic earnings per share					
9750	Total basic earnings per share	6(31)	\$ 1.12		\$ 2.55	
	Diluted earnings per share					
9850	Total Diluted earnings per share	6(31)	\$ 1.12		\$ 2.54	

The accompanying notes are an integral part of the parent company only financial statements.



Hota Industrial Manufacturing Company Limited  
Individual Statements of Changes in Equity  
2020 and 2019 January 1 to December 31

(In Thousands of New Taiwan Dollars)

Statement of changes in equity		Retained earnings					Other interests		Treasury stock	Total equity
		Common Shares	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Unrealized Gain (Loss) on Assets at Fair Value Trough Other Comprehensive Income		
Notes										
Year 2019										
BALANCE, JANUARY 1, 2019		\$ 2,549,565	\$ 1,916,204	\$ 469,600	\$ -	\$ 1,905,095	(\$ 16,067 )	(\$ 7,782 )	\$ -	\$ 6,816,615
Net profits 2019		-	-	-	-	649,123	-	-	-	649,123
Other comprehensive gains/losses 2019		-	-	-	-	18,381	( 16,112 )	( 9,403 )	-	( 7,134 )
Total comprehensive income		-	-	-	-	667,504	( 16,112 )	( 9,403 )	-	641,989
Earnings distribution and allocation 2018		-	-	-	-	-	-	-	-	-
Legal reserve listed		-	-	123,692	-	( 123,692 )	-	-	-	-
Special reserve listed		-	-	-	23,850	( 23,850 )	-	-	-	-
Common stock cash dividend		-	-	-	-	( 892,348 )	-	-	-	( 892,348 )
Dispose of equity instruments measured at fair value through other comprehensive gains and losses		-	-	-	-	1,192	-	1,128	-	2,320
Balance , December 31,2019		\$ 2,549,565	\$ 1,916,204	\$ 593,292	\$ 23,850	\$ 1,533,901	(\$ 32,179 )	(\$ 16,057 )	\$ -	\$ 6,568,576
Year 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
Net profits 2020		-	-	-	-	286,094	-	-	-	286,094
Other comprehensive gains/losses 2020		-	-	-	-	1,360	( 10,242 )	30,798	-	21,916
Total comprehensive income		-	-	-	-	287,454	( 10,242 )	30,798	-	308,010
Earnings distribution and allocation 2019		-	-	-	-	-	-	-	-	-
Legal reserve listed		-	-	66,870	-	( 66,870 )	-	-	-	-
Special reserve listed		-	-	-	24,386	( 24,386 )	-	-	-	-
Common stock cash dividend		-	-	-	-	( 509,913 )	-	-	-	( 509,913 )
Share-based payment transaction		-	20,895	-	-	-	-	-	-	20,895
Dispose of equity instruments measured at fair value through other comprehensive gains and losses		-	-	-	-	7,436	-	( 7,436 )	-	-
Repurchase Treasury stock		-	-	-	-	-	-	-	( 35,010 )	( 35,010 )
Logout Treasury stock		( 4,390 )	( 30,620 )	-	-	-	-	-	35,010	-
Balance , December 31,2020		\$ 2,545,175	\$ 1,906,479	\$ 660,162	\$ 48,236	\$ 1,227,622	(\$ 42,421 )	\$ 7,305	\$ -	\$ 6,352,558

The accompanying notes are an integral part of the parent company only financial statements.

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

(In Thousands of New Taiwan Dollars)

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		\$ 317,669	\$ 729,968
Adjustments for:			
Income expense item			
Depreciation expense	6(8)(28)	561,737	550,277
Depreciation expense - Right-of-use asset	6(9)(28)	16,602	21,563
Amortization	6(28)	9,671	9,341
Interest expense	6(27)	90,721	76,462
Interest expense- Lease liability	6(9)(27)	4,225	4,609
Interest income	6(24)	( 3,399 )	( 6,141 )
Expected credit loss	12(2)	5,674	4,500
Share of other comprehensive gain of subsidiaries on investments in equity instruments at fair value	6(7)	19,370	18,571
Cash increase to retain employee subscription remuneration costs	6(18)	20,895	-
Gain on disposal of intangible assets, net	6(26)	( 2,493 )	( 290 )
Unrealized sales loss		( 1,432 )	( 2,773 )
Unrealized exchange loss		10,045	35,290
Changes in assets/liabilities related to operation activities			
Property net change related to operation activities			
Notes receivable		( 9,261 )	3,829
Accounts receivable		144,012	( 263,782 )
Accounts receivable - related parties		680	7,352
Other accounts receivable		212,982	( 26,103 )
Inventory		49,220	( 109,362 )
Other current assets		12,593	( 29,665 )
Other noncurrent assets		( 360 )	( 195 )
Liabilities net change related to operation activities			
Notes payable (related parties included)		43,222	( 114,074 )
Accounts payable (related parties included)		9,841	( 342,515 )
Other payables		( 14,861 )	( 150,983 )
Other current liabilities		59,144	( 3,191 )
Other noncurrent liabilities		( 2,047 )	( 11,608 )
Cash inflow from operation activities		1,554,450	401,080
Interest charged		3,402	6,142
Interest paid		( 92,343 )	( 81,645 )
Income tax paid		( 99,841 )	( 46,893 )
Net cash inflow by operation activities		1,365,668	278,684

(continue in next page)

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

(In Thousands of New Taiwan Dollars)

	Note	January 1 to December 31, 2020	January 1 to December 31, 2019
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net unrealized appraisal of gains and losses of debt instrument investments measured at fair value		\$ 17,608	\$ 22,319
Increase in financial assets measured at amortized cost		( 56,749 )	( 13 )
Gain financial assets measured at fair value through other comprehensive gains and losses from noncurrent		( 6,503 )	( 2,239 )
Investment using the equity method		-	( 61,561 )
Cash dividends from the equity method		5,363	3,964
Acquisitions of Property, plant and equipment	6(32)	( 1,347,423 )	( 2,045,277 )
Disposal of property, facility and equipment		7,180	12,242
Gain intangible assets		( 3,287 )	( 9,304 )
Decrease (increase) in refundable deposits		1,080	357
Net cash outflow by investing activities		( 1,382,731 )	( 2,079,512 )
<b>Cash flow from financing activities</b>			
Increase in short-term payables	6(33)	40,000	310,000
Increase (decrease) in short-term loans	6(33)	841,081	( 201,708 )
Long-term loan repayment	6(33)	( 5,505,894 )	( 3,015,390 )
Long-term borrowings repayment	6(33)	5,532,505	4,797,178
Lease principal repayment	6(33)	( 14,809 )	( 19,546 )
Cash dividends	6(21)	( 509,913 )	( 892,348 )
Treasury stock buyback cost	6(19)	( 35,010 )	-
Net cash inflow from financing activities		347,960	978,186
Impact of exchange rate changes on cash and cash equivalents		( 20,782 )	( 1,147 )
Increase (decrease) in current cash and cash equivalents		310,115	( 823,789 )
cash and cash equivalents in the beginning of term		377,446	1,201,235
cash and cash equivalents in the end of term		\$ 687,561	\$ 377,446

The accompanying notes are an integral part of the parent company only financial statements.

(Concluded) °

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

1. HISTORY OF THE COMPANY

Hota Industrial Manufacturing Company Limited (the “Company” ), a Republic of China (R.O.C.) corporation, was incorporated in January, 1973 and started to operate at the same time. The Company 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 Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments

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 and IFRS 16 “Interest Rate January 1, 2021 Benchmark Reform - Phase 2”

January 1, 2021

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

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(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:

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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company' 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 consolidated financial statements of the Company and subsidiaries have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports"

## (2) Basis for preparation

1. Except below key items, this individual 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) 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 Company 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.

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

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

- (1) Assets were expected to realize in normal business cycle
- (2) Assets were held on the purpose of transactio

(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 Company classifies those not meeting above conditions to be non-current assets.

2. Liabilities that meet 1 one 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 Company classifies those not meeting above conditions to be non-current liabilities.

(5) 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.

(6) 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 Company 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 Company 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.

(7) 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 Company 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 Company is initially measured at fair value, and related transaction costs are recognized in profit and loss. Then, its profit or loss is recognized at fair value.
  - (1) Changes in the fair value of equity tools are recognized in other comprehensive profits and losses, and are recognized before they are to be delisted

Cumulative gains and losses listed in other comprehensive gains and losses or subsequent losses and losses cannot be reclassified to gains&losses, and transferred to retained earnings. When the right to receive dividends is confirmed, the economic benefits related to the dividends are likely to flow in, & the amount of dividends can be reliably measured, the company recognizes the dividend income in the profit and loss.

(2) Changes in the fair value of debt instruments are recognized in other comprehensive profit and loss, impairment losses, interest income and foreign currency exchange gains and losses before delisting are recognized in profit and loss. And when delisting, accumulated gains or losses previously recognized in other comprehensive profit and loss would re-classify as profit and loss instead of equity.

#### (8 ) 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 company 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 company 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.

#### (9 ) 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 Company uses the original invoice amount to measure the amount.

3. The business model of the company'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.

#### (10) Financial asset impairment

On every day of the balance sheet of assets, the company 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.

(11) Derecognition of financial assets

The Company 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 Company doesn't reserve the control of the financial asset.

(12) Lease transaction of the Company 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.

(13) 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.

(14) Investments Accounted for Using Equity Method / Subsidiary, Associates, and Joint venture

1. Subsidiary refers to an entity under the command of the Company (include structural entity). When the Company is exposed to variable remuneration from the entity's participation or has rights to such variable remuneration, and when it has the ability to influence the remuneration through the power of the entity, the Company controls the entity.
2. The unrealized gains and losses arising from transactions between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary and are consistent with the policies adopted by the Company.
3. The company recognizes the amount of profit and loss obtained by the subsidiary as the current profit and loss, and the amount of other comprehensive income after the acquisition is recognized as other comprehensive income. If the company recognizes the loss of a subsidiary is equal to or exceeds the equity in the subsidiary, the Company continues to recognize the loss based on the shareholding ratio.
4. If the change in the shareholding of the subsidiary company does not lead to loss control (transaction with non-controlling power), it will be treated as an equity transaction, which means that it will be regarded as a transaction with the owner. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is directly connected and recognized as equity.
5. An associate is an entity over which the Company has significant influence and that is not a subsidiary. Usually, the Company 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.
6. The Company 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 Company's equity including any other unsecured receivables, the Company shall not recognize any further loss, except statutory obligation, presumptive obligation, or payables for the associate.
7. Equity changes against non-income or other comprehensive income without influence on the shareholding percentage of the associate, the Company shall recognize the share of equity changes as capital reserve.
8. The unrealized gain/loss of the transaction between the Company 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 Company.

9. When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net value of the associate. The Company 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 Company'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.
10. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current profit and loss and other comprehensive income of the individual financial report shall be the same as the current profit and loss and other comprehensive income in the financial report prepared on a consolidated basis attributable to the owners of the parent company. The reported owner's equity shall be the same as the equity attributable to the owner of the parent company in the financial report prepared on the basis of the merger.

#### (15) 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 Company 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 Company reviews the residual value, estimated useful lives, and depreciation method of each asset at the end of the fiscal year. If the expectation of the residual value or the estimated useful lives is different from the previous estimation, or the expected consumption pattern for the future benefits contained in the asset changes significantly, it shall be handled on the date incurred in accordance with International Accounting Standard No. 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

Estimated Useful Lives of Assets are listed below:

Buildings and Construction (including ancillary works)	5 ~ 50 years
Mechanical equipment	3 ~ 26 years
Transportation equipment	3 ~ 16 years
Utility equipment	10 ~ 16 years
Other equipment	2 ~ 25 years

#### (16) Lease transaction as a Lessee — Right-of-use Assets / Lease Liabilities

1. The Company 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 Company re-measures the lease liabilities with a corresponding adjustment to the right-of-use assets.

3. Right-of-use assets are measured at cost on the commencement date of the lease, where the cost including:

- (1) The initial measurement of lease liabilities;
- (2) Any lease payment at or before the commencement date;
- (3) Any initial direct cost happened on the asset.

Subsequent measurement is calculated as cost less accumulated depreciation against whether the estimated useful lives of assets or the lease terms is earlier. When the lease liabilities was remeasured, right-of-use assets are adjusted by the remeasurement of the lease liabilities.

4. For lease modifications that reduce the range of the lease, the lessee will reduce the book value of the right-of-use asset to reflect the partial or full termination of the lease, and the difference between it and the remeasured amount of the lease liability is recognized in profit or loss.

#### (17) 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 year.

#### (18) Impairment of non-financial assets

The Company 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.

#### (19) Loan

Loan refers to long-term and short-term loans borrowed from banks. The Company 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.

#### (20) 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 Company uses the initial invoice amount to measure.

(21) Derecognition of Financial Liabilities

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

(22) 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.

(23) 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.

(24) 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 Company 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 Company 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.

#### (25) 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.

#### (26) 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.

#### (27) Revenue recognition

The Company 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 Company 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 Company 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 Company 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.

## (28) 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 Company'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.

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

When the Company 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 Company requires a major judgment to determine whether an individual financial asset as equity investment impairs. When taking the judgment, the Company 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 Company requires a major judgment to determine whether an individual financial asset as Account Receivable impairs. The Company 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 Company should use judgment and estimation to determine the inventory net realizable value on the balance sheet date. Because technology evolves fast, the Company 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 Company's book value of inventory is NT 1,676,038 thousands on December 31, 2020.

## VI. Description of important accounting items

### (1) Cash and Cash equivalents

	Dec. 31, 2020	Dec. 31, 2019
Cash on hand and working capital	290	270
Demand Deposit	253,061	173,640
Foreign Currency Deposit	434,210	203,536
Total	687,561	377,446

1. The Company 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 Company has not provided cash or cash equivalents as pledges

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

Item	Dec. 31, 2020	Dec. 31, 2019
Current item :		
Equity Instruments		
Listed company stocks	82,997	85,439
Evaluation adjusted	(6,958)	(24,147)
Total	76,039	61,292
Non-Current item :		
Equity Instruments		
Non-listed company stocks	77,583	81,199
Evaluation adjusted	(19,933)	(6,707)
Total	57,650	74,492

1. The Company chose to classify the equity of strategic investments as financial assets measured at Fair Value Through Other Comprehensive Income (FVTOCI). The fair values of these investments as of December 31, 2020, and 2019 were NT 133,689 thousand and NT 135,784 thousand respectively.
2. The details of FVTOCI financial assets recognized in income and comprehensive income are listed below:

	Year 2020	Year 2019
FVTOCI Equity Instruments		
FVTOCI recognition adjusted	9,009	(11,526)

3. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Company outstanding FVTOCI financial assets on December 31, 2020, and 2019 were NT 133,689 thousand and NT 135,784 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

Item	NT thousand dollars	
	Dec. 31, 2020	Dec. 31, 2019
Current item:		
Time Deposits (over 3 months)	617	606
Restricted deposit	56,738	-
Total	57,355	606

1. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Company's outstanding Amortized cost financial assets on December 31, 2020, and 2019 were NT 57,355 thousand and NT 606 thousand respectively.
2. The Company provides time deposits as pledge guarantees, please refer to Note 8 for details.

(4) Account receivable and Note Receivable

	Dec. 31, 2020	Dec. 31, 2019
Note Receivable(NR)	9,842	581
Account Receivable(AR)	2,053,820	2,171,133
Less : Allowance	(12,486)	(9,708)
	2,041,334	2,161,425

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

	Dec. 31, 2020		Dec. 31, 2019	
	AR	NR	AR	NR
Not Overdue	1,856,081	9,842	1,790,432	581
Within 120 days	150,940	-	95,217	-
121-240 days	25,708	-	219,012	-
241-360 days	14,063	-	51,701	-
Over 361 days	7,028	-	14,771	-
	2,053,820	9,842	2,171,133	581

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

2. As of December 31, 2020, December 31, 2019, and January 1, 2019, the balance of account receivable (including note receivable) between the Company and its customers was NT 2,063,662 thousand, NT 2,171,714 thousand, and 1,940,324 thousand respectively.
3. The Company signed a non-recourse factoring contract with E.Sun Bank and O-Bank. As of

December 31, 2020, and 2019, the expected sale of accounts receivable (belonging to FVTOCI financial assets) was 727,869 thousand and 738,271 thousand respectively. On December 31, 2020, the valuation adjustment recognized in FVTOCI financial assets was 10,560 thousand; in addition, Accumulated Other comprehensive income reclassified to profits and losses was 9,048 thousand. For information about the transfer of financial assets, please refer to Note 6 (5).

4. Regardless of the collateral held or other credit enhancements, the maximum amount of credit risk exposure of the Company's outstanding note receivable on December 31, 2020, and 2019 were NT 9,842 thousand and NT 581 thousand respectively; the maximum amount of credit risk exposure of the Company's outstanding account receivable on December 31, 2020, and 2019 were NT 2,053,820 thousand and NT 2,171,133 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 Company signed an account receivable factoring contract with O-Bank in January 2018. According to the contract, when the Company sells account receivable to O-Bank, the bank prepays approximately 90% of AR to the Company, 10% remains will be paid to the Company until the bank collects all the AR. The Company waives the risk of uncollectible accounts receivable but bears the burden by commercial disputes. The Company neither provides collaterals nor any continuous participation in all AR transferred, so the Company has already delisted the accounts receivable sold.
2. As of December 31, 2020, and 2019, the Company has delisted the AR, and the relevant information unexpired is as follows:

Dec. 31, 2020					
financing objects	AR sold	Amount delisted	Amount prepaid	Amount unpaid	Rate range (%)
O-Bank	<u>178,478</u>	<u>178,478</u>	<u>160,550</u>	<u>17,928</u>	0.85~1.15

Dec. 31, 2019					
financing objects	AR sold	Amount delisted	Amount prepaid	Amount unpaid	Rate range (%)
O-Bank	<u>328,513</u>	<u>328,513</u>	<u>295,511</u>	<u>33,002</u>	1.05~2.65

(6) Inventory

Dec. 31, 2020			
	Cost	Allowance for price reduction	Book Value
Raw Material	393,470	(9,876)	383,594
Work in Process	733,801	(15,790)	718,011
Finish Goods	622,969	(48,536)	574,433
Total	<u>1,750,240</u>	<u>(74,202)</u>	<u>1,676,038</u>

Dec. 31, 2019			
	Cost	Allowance for price reduction	Book Value
Raw Material	469,991	(8,527)	461,464
Work in Process	729,822	(13,864)	715,958
Finish Goods	593,541	(45,705)	547,836

Total	1,793,354	(68,096)	1,725,258
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Inventory cost recognized by the Company as expenses in the current period:	Year 2020	Year 2019
Cost of inventory sold	3,705,452	4,119,485
Allowances of loss for price decline and idle inventory	6,106	10,645
Income of the sale of scraps and obsoletes	(42,070)	(55,078)
Other	(87)	-
	<u>3,669,401</u>	<u>4,075,052</u>

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(7) Investments under Equity method

	Dec. 31, 2020	Dec. 31, 2019
Subsidiaries:		
Hezuan Investment	300,309	296,484
CAPTAIN HOLDING CO., LTD.	158,697	167,487
Wuxi Hota Precision Gear Co., Ltd.	45,693	53,306
Heying Precision Co., Ltd.	83,835	86,752
HOTATECH, INC.	217,917	224,527
Juda Intelligent Technology Co., Ltd.	4,994	5,019
Associations:		
KAO FONG MACHINERY CO., LTD	15,984	16,271
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	3,736	3,736
TAKAWA SEIKI, INC.	3,472	3,108
LING WEI CO., Ltd.	29,723	32,102
Subtotal	<u>864,360</u>	<u>888,792</u>
Less: Accumulated Loss	<u>(3,736)</u>	<u>(3,736)</u>
Total	<u>860,624</u>	<u>885,056</u>

1. Subsidiary

For information about the Company's subsidiary companies, please refer to Note 4 (3) of the consolidated financial report of the Company in the year 2020.

2. Associated companies

The book value of the Company's non-significant Associations and the share of their business results for each of the companies is as follows:

On December 31, 2020, and 2019, the book values of the Company's non-significant Associations are NT 49,179 thousand and 51,481 thousand respectively.

	Fiscal Year 2020	Fiscal Year 2019
Continuing business unit's current net profit (loss)	504	2,898
Other comprehensive income (net after tax)	7,014	(14,886)

Total comprehensive income for the current period	<u>7,518</u>	<u>(11,988)</u>
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- (1) The Company holds less than 20% of the shares of Kao Fong Machinery Co., Ltd., but because the Company has the ability to influence its financial and operational policies, it is classified as an Association of the Company.
- (2) The Company's investment in Kao Fong Machinery Co., Ltd. has a public quote, and its fair value was NT 10,318 thousand and NT 10,150 thousand as of December 31, 2020, and 2019, respectively.
- (3) The Company 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.

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

Subsidiary & Association Invested	Fiscal Year 2020	Fiscal Year 2019
Hezuan Investment	(2,725)	(4,475)
CAPTAIN HOLDING CO., LTD.	(12,872)	(37,613)
Wuxi Hota Precision Gear Co., Ltd.	(8,319)	(16,932)
Heying Precision Co., Ltd.	(829)	6,146
HOTATECH, INC.	(4,895)	31,378
Juda Intelligent Technology Co., Ltd.	(24)	27
KAO FONG MACHINERY CO., LTD	(95)	(223)
LING WEI CO., Ltd.	62	3,049
TAKAWA SEIKI, INC.	537	72
Total	(19,370)	(18,571)

The share of the profits and losses of the Subsidiaries and 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.

(8) Real Estate, Plants and Equipment

Year 2020					
Cost	Balance, begin	Additions	Disposals	Transfers	Balance, End
Lands	1,683,566	-	-	-	1,683,566
Buildings	3,193,626	16,967	(900)	11,371	3,221,064
Machinery and Equipment	6,984,234	257,735	(102,358)	242,601	7,382,212
Other equipment	692,561	116,551	(144,805)	16,263	680,570
Projects uncomplete and equipment to be inspected	529,704	545,756	-	(55,454)	1,020,006
Subtotal	13,083,691	937,009	(248,063)	214,781	13,987,418
Accumulated Depreciation	Balance, begin	Additions	Disposals	Transfers	Balance, End
Buildings	645,925	87,724	(450)	-	733,199
Machinery and Equipment	2,215,051	334,273	(98,121)	-	2,451,203
Other equipment	331,263	139,740	(144,805)	-	326,198
Subtotal	3,192,239	561,737	(243,376)	-	3,510,600
TOTAL	9,891,452				10,476,818

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Year 2019					
Cost	Balance, begin	Additions	Disposals	Transfers	Balance, End
Lands	1,305,120	378,446	-	-	1,683,566
Buildings	3,058,208	103,127	-	32,291	3,193,626
Machinery and Equipment	5,920,268	141,407	(45,761)	968,320	6,984,234
Other equipment	549,184	160,430	(25,876)	8,823	692,561
Projects uncomplete and equipment to be inspected	110,443	481,896	-	(62,635)	529,704
Subtotal	10,943,223	1,265,306	(71,637)	946,799	13,083,691
Accumulated Depreciation					
Buildings	561,132	84,793	-	-	645,925
Machinery and Equipment	1,944,330	299,708	(33,809)	4,822	2,215,051
Other equipment	196,185	165,776	(25,876)	(4,822)	331,263
Subtotal	2,701,647	550,277	(59,685)	-	3,192,239
TOTAL	8,241,576				9,891,452

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

	Fiscal Year 2020	Fiscal Year 2019
Capitalization Amount	16,688	9,057
Interest Rate Range	1.20%	1.31%

(9) Lease transaction as a Lessee

7. The subject assets of the Company 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.
8. The lease period of the photocopiers leased by the Company shall not exceed 12 months.
9. The book values of the right-to-use assets and the depreciation expenses recognized information are as follows:

Book Value	Dec. 31, 2020	Dec. 31, 2019
Land	249,443	259,918
Buildings	7,655	24,025
Transportation equipment	-	338
Total	257,098	284,281
Depreciation	Fiscal Year 2020	Fiscal Year 2019
Land	6,953	7,025
Buildings	5,594	10,221
Transportation equipment	4,055	4,317
Total	16,602	21,563

10. The increase in the right-to-use assets of the Company in the year 2020 was NT 3,717 thousand.

11. Information about the profit and loss for the lease contracts are as follows:

Items affecting current profit and loss	Year 2020	Year 2019
Interest expense on lease liability	4,225	4,609
Expenses for short-term lease contracts	3,835	719
Lease modification benefits	276	-

12. The total lease cash outflows of the Company in 2020 and 2019 were NT 22,869 thousand and 24,155 thousand respectively.

(10) Lease transaction as a Lessor

4. The subject assets leased by the Company 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.

5. The benefits of the Company based on the business leases recognized in the year 2020 and 2019 are as follows:

	Year 2020	Year 2019
Rental income	6,767	7,638
Rental income recognized as variable lease payments	1,281	1,053

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

Duration	Dec. 31, 2020	Duration	Dec. 31, 2019
Year 2020	7,569	Year 2019	9,396
Year 2021	3,438	Year 2020	7,569
Year 2022	341	Year 2021	3,438
Year 2023	50	Year 2022	341
Year 2024	50	Year 2023	50
Year 2025	50	Year 2024	50
After Year 2026	550	After Year 2025	600
Total	12,048	Total	21,444

(11) Other non-current assets

	Dec. 31, 2020	Dec. 31, 2019
Prepayment for equipment	450,755	373,272
Refundable deposits	6,604	7,684
Other non-current assets	88,059	85,043
Total	545,418	465,999

The Company acquired land number #1088, Guang zheng Section, Dali District, Taichung City, with a book value of NT 87,818 thousand. The land is adjacent to the industrial zone, and because it is agricultural land that cannot be transferred to the Company to be the owner temporarily. The company retains the original certificate of the land ownership and has a trust agreement with the nominal owner. The two parties have agreed before the ownership registration, the nominal owner shall not transfer the ownership to any third party nor set up any mortgage.

(12) Short-term Loan

Property of Loan	Dec. 31, 2020	Rate range	Collaterals
Bank Loan			
Secured Loan	134,464	0.85%~0.92%	Land, Buildings, machinery and equipment
Credit Loan	1,715,906	0.68%~1.25%	
Total	1,850,370		
Property of Loan	Dec. 31, 2019	Rate range	Collaterals
Bank Loan			
Secured Loan	100,000	0.92%	Land, Buildings
Credit Loan	900,753	0.85%~1.18%	
Total	1,000,753		

(13) Short-term notes & bills payable

Bills finance company	Dec. 31, 2020	Rate of issuance	Collaterals
E.Sun Bills	300,000	1.39%	Note
Mega Bills	100,000	0.92%	-
China Bills	200,000	0.92%	-
Total	600,000		
Bills finance company	Dec. 31, 2019	Rate of issuance	Collaterals
E.Sun Bills	300,000	1.52%	Note
Mega Bills	100,000	0.92%	-
China Bills	100,000	0.92%	-
China Bills	60,000	0.92%	-
Total	560,000		

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

(14) Other Payables

	Dec. 31, 2020	Dec. 31, 2019
Salary Payable	84,421	107,388
Remuneration payable to directors	3,521	9,549
Equipment payment payable	90,079	205,324
Other payable	257,013	240,032
Total	435,034	562,293

(15) Long-term Loan

Loan type	Loan period and repayment method	Interest rate range	Unit: NT thousand dollars	
			Collateral	Dec. 31, 2020
Syndicated secured Loans – E.Sun Bank	Since July 15, 2016, every 6 months, repayment in installments until July 22, 2022	1.79%	Plants, office buildings and machinery equipment	1,333,704
Secured Loan	Sequentially due before May, 2039. Repayments in installments.	0.00%~1.50%	Land, machinery and equipment	2,673,254
Credit Loan	Sequentially due before Jul. 18, 2026. Repayments in installments.	0.10%~1.21%	-	2,382,070
Subtotal				6,389,028
Less: Long-term loans due within one year or one operating cycle (listed other current liabilities)				(1,997,512)
Less: Government grant discount				(46,789)
Total				4,344,727

Loan type	Loan period and repayment method	Interest rate range	Unit: NT thousand dollars	
			Collateral	Dec. 31, 2019
Syndicated secured Loans – E.Sun Bank	Since July 15, 2016, every 6 months, repayment in installments until July 22, 2022	1.79%	Plants, office buildings and machinery equipment	1,028,000
Secured Loan	Sequentially due before May, 2038. Repayments in installments.	0.1%~1.59%	Land, buildings, machinery equipment	2,791,199
Credit Loan	Sequentially due before May, 2022. Repayments in installments.	0.10%~1.47%	-	2,543,218
Subtotal				6,362,417
Less: Long-term loans due within one year or one operating cycle (listed other current liabilities)				(1,475,209)
Total				4,887,208

3. On June 4, 2019, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 1,000, 000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 500,000 thousand, and the undrawn amount was NT 500,000 thousand.

4. On May 3, 2016, the Company signed a Syndication Loan Contract with a group of banks formed by E.Sun Bank and Taiwan Land Bank, etc., with a total credit line of NT 3,000, 000 thousand, and E.Sun Bank as the managing bank, for repay loans to financial institutions and to enrich mid-term working capital. As of December 31, 2020, the allocated amount was NT 1,133,704 thousand, and the undrawn amount was NT 810,000 thousand.

In addition to other relevant regulations, the above-mentioned syndication loan contract includes the following restrictions: during the credit period, the following financial ratios shall be maintained, and be reexamined in the financial statements verified by the accountant every six months.

- (1) The current ratio [current assets/(current liabilities minus the one-year maturity amount of the credit line)] shall keep at 100% (inclusive) or more.
  - (2) The Liabilities ratio (Liabilities/tangible assets net value) shall keep below 220% (inclusive) in 2013 and 2014, and below 200% (inclusive) after 2015 (inclusive).
  - (3) The minimum net value of tangible assets shall keep at more than NT 4 billion.
5. During the credit period and the provisions of the syndication loan contract, the company must follow specific financial ratios at the end of the year and half of the year, such as the current ratio, debt to equity ratio, and interest protection multiple requirements. As of December 31, 2020, the Company has not violated the above restrictions.

(16) Government Grant

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

(17) Pension

1.

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

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

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

NT thousand dollars

	Dec. 31, 2020	Dec. 31, 2019
The present value of net defined benefit obligations	187,305	212,024
Fair value of project assets	(108,267)	(122,938)
Net defined benefit liabilities	79,038	89,086

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

	Present value of Defined benefit Liabilities	Fair value of project assets	Net defined benefit liabilities
Year 2020			
Balance on Jan. 1	212,024	(122,938)	89,086
Current Service Cost	1,063	-	1,063
Interest Expense (Income)	1,327	(776)	551
Subtotal	214,414	(123,714)	90,700
Remeasurement:			
planned asset earning (Exclude money in interest income or expenses)	-	(3,955)	(3,955)
Changes by Demographic assumptions Impact	-	-	-
Changes by Financial assumptions impact	5,178	-	5,178
Changes by Plan reduction	(155)	-	(155)
Adjustment by Experience	(3,086)	-	(3,086)
Subtotal	1,937	(3,955)	(2,018)
Provision to the Pension fund		(9,644)	(9,644)
Pension payment	(29,046)	29,046	
Balance on Dec. 31	187,305	(108,267)	79,038

	Present value of Defined benefit Liabilities	Fair value of project assets	Net defined benefit liabilities
Year 2019			
Balance on Jan. 1	231,109	(107,309)	123,800
Current Service Cost	2,455	-	2,455
Interest Expense (Income)	1,686	(820)	866
Subtotal	235,250	(108,129)	127,121
Remeasurement:			
planned asset earning (Exclude money in interest income or expenses)	-	(4,019)	(4,019)
Changes by Demographic assumptions Impact	27	-	27
Changes by Financial assumptions impact	1,637	-	1,637
Adjustment by Experience	(20,750)	-	(20,750)
Subtotal	(19,086)	(4,019)	(23,105)
Provision to the Pension fund		(14,930)	(14,930)
Pension payment	(4,140)	4,140	
Balance on Dec. 31	212,024	(122,938)	89,086

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

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

	Year 2020	Year 2019
Discount Rate	0.30%	0.65%
Future salary increase rate	3.00%	3.00%

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

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

Impact on the present value of Defined Benefit Liabilities	Discount Rate		Future salary increase rate	
	+0.25%	-0.25%	+0.25%	-0.25%
Dec. 31, 2020	(3,722)	3,861	3,749	(3,635)
Dec. 31, 2019	(4,047)	4,197	4,089	(3,966)

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.

- (5) The Company's estimated payment for the retirement plan in the year 2021 is NT 7,693 thousand.
- (6) As of December 31, 2020, the weighted average duration of the retirement plan was 8 years. An analysis of the grant date of the retirement payment is as follows:

The Grant date due	Retirement Payment Due
Less than 1 year	12,815
1~2 years	22,295
2~5 years	55,975
More than 5 years	100,245
Total	191,330

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) In the year 2020 and 2019, the company recognized the cost of retirement payment according to the above-mentioned method are NT 28,682 thousand and NT 31,739 thousand respectively.

#### (18) Share-Based Payments

1. The Company's share-based payments of 2020 are as follows:

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

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

<u>Types of Agreements</u>	<u>Grant Date</u>	<u>Stock Value</u>	Expected			Risk-free	
			Per Unit	Volatility	Duration	Interest Rate	Fair
			<u>Strike Price</u>	<u>Volatility</u>	<u>Duration</u>	<u>Dividend</u>	<u>Interest Rate</u>

value

Cash capital

increase to retain

employee subscription	December 15, 2020	105	90	-	-	-
-	15					

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

	2020
Equity-settled	\$ 20,895

For the year ended December 31,  
2019:None.

(19) Share capital

1. As of December 31, 2020, Company's authorized capital was \$3,500,000,000 and the paid-in capital was \$2,545,175,000, consisting of 254,957 thousand shares of common stock with a par value of \$10 (in dollars) per share. As of December 31, 2020, total outstanding shares were 254,518 thousand.

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

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

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

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

3. Treasury Stock

- (1) For considerations of Company management, by the resolution of the Board of Directors on March 26, 2020, it is decided to buy back the Company stock of the number of 6,000 thousand shares with the buyback price between NT\$60 and NT\$90 from March 27, 2020 to May 26, 2020. As of December 31, 2020, 439 thousand shares have been bought back by the Company with the total amount of NT\$35,010,000.
- (2) According to the Securities and Exchange Act, the number of shares bought back may not exceed ten percent of the total number issued and outstanding shares of the Company. The total amount of the shares bought back may not exceed the amount of retained earnings plus premium on capital stock plus realized capital reserve.
- (3) The shares bought back by the Company in accordance with the Securities and Exchange Act shall not be pledged. Before transfer, the shareholder's rights shall not be enjoyed.
- (4) Pursuant to the Securities and Exchange Act, where the buyback is for transferring shares to its employees shall be transferred within five years from the date of buyback. The shares not transferred within the said time limit shall be deemed as not issued by the Company, and amendment

registration shall be processed. Where the buyback is required to maintain the Company's credit and shareholders' rights and interests, and the shares so purchased are cancelled for which amendment registration shall be effected within six months from the date of buyback.

(20) Capital reserve

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

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

	2020				
			Changes in ownership		
	<u>Additional paid-in capital</u>	<u>Stock option</u>	<u>disposition</u>	<u>interests in subsidiaries</u>	<u>Total</u>
Beginning balance	\$1,910,228	\$ -	\$ 309	\$ 5,667	\$1,916,204
Cash capital increase	-	20,895	-	-	20,895
Treasury stock disposition	( <u>30,620</u> )	-	-	-	( <u>30,620</u> )
Balance at the end of 2020	<u>\$1,879,608</u>	<u>\$20,895</u>	<u>\$ 309</u>	<u>\$ 5,667</u>	<u>\$1,906,479</u>
			2019		
			Gain from asset	Changes in ownership	
	<u>Additional paid-in capital</u>	<u>Stock option</u>	<u>disposition</u>	<u>interests in subsidiaries</u>	<u>Total</u>

Beginning balance / Balance at the end of 2019	<u>\$1,907,828</u>	<u>\$ 2,400</u>	<u>\$ 309</u>	<u>\$ 5,667</u>	<u>\$1,916,204</u>
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3. By the resolution of the Board of Directors on March 17, 2021, the Company shall allocate cash dividends from capital reserve with a distribution of \$0.26 per share and the total dividends will be NT\$72,675,000, that is to be presented for approval in the shareholders' meeting.

(21) Retained earnings

1. Under the Company's Articles of Incorporation, when there is net profit for each fiscal year, except for income tax payment, the Company shall offset a deficit in priority, and set aside 10% of the balance as legal reserve. After setting aside in accordance with the laws and regulations or as reversal of special reserve, "preferred stock is distributed preferably from the current year shall distribute and accumulated

unappropriated dividends from each previous fiscal year.” When there is profit for each fiscal year, the Company shall set aside not less than 2% as employees’ compensation and not more than 5% as bonus to directors; the rest plus unappropriated earnings of the last fiscal year shall be proposed the surplus earning distribution and presented to the shareholders’ meeting for approval.

2. The Company dividend policy is as follows: taking into consideration of the Company capital demand and sound financial structure, and cooperating with business growth, the board of directors shall prepare the proposal of surplus earning distribution taking into consideration of the Company profitability and the business operation demand, and report to the shareholders meetings for resolution. The proposal of surplus earning distribution prepared by the board of directors shall have total dividends distributed between 30% and 80% of the current year earnings, provided however, the ration for cash dividend shall not lower than 20% of total distribution.
3. Legal reserve can only be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership; where legal reserve is distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25 percent of the paid-in capital may be distributed.
4. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (2) At the time of initial application of IFRS, special reserve set aside, referred in Rule No. Financial-Supervisory-Securities-Issuing-1010012865 issued on April 6, 2012, shall be transferred into retained earnings from unrealized revaluation increments and cumulative translation adjustment under equity upon the acceptance of application of IFRS 1 exemption. However, the Group has negative number in net effect of retained earnings, special reserve is no need to be set aside.
5. The appropriations of earnings for 2020 and 2019 had been resolved at the Board of Directors on March 17, 2021 and the shareholders’ meeting on June 10, 2020, respectively. Details are summarized below:

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

The appropriations of earnings for 2020 is waiting for the approval at the meeting of shareholders of the Company.

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

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## (22) Other equity items

2020				
Financial statements translation differences of foreign operations		Debit instrument unrealized profit (loss) measured at fair value through other	Equity instrument unrealized profit (loss) measured at fair value through other	Total
		comprehensive income	comprehensive income	
Valuation adjustments at January 1	(\$ 32,179)	20,881	\$ 4,824	(\$ 48,236)
– Company	-	10,321	9,009	19,330
– Associates	-	-	11,468	11,468
Valuation adjustments transfer into retained earnings	-	-	( 7,436)	( 7,436)
Differences for foreign currency translation :				
– Company	( 8,145)	-	-	( 8,145)
– Tax for Company	2,192	-	-	2,192
– Associates	( 4,324)	-	-	( 4,324)
– Tax for Associates	35	-	-	35
At December 31	(\$ 42,421)	10,560	\$ 17,865	(\$ 35,116)
2019				
Financial statements translation differences of foreign operations		Debit instrument unrealized profit (loss) measured at fair value through other	Equity instrument unrealized profit (loss) measured at fair value through other	Total
		comprehensive income	comprehensive income	
Valuation adjustments at January 1	(\$ 16,067)	36,484	\$ 28,702	(\$ 23,849)
– Company	-	15,603	( 11,526)	4,077
– Associates	-	-	( 13,480)	( 13,480)
Valuation adjustments transfer into retained earnings	-	-	1,128	1,128

Differences for foreign currency translation:

–Company	(	16,403)	-	-	(	16,403)
–Tax for Company		1,579	-	-		1,579
–Associates	(	1,303)	-	-	(	1,303)
– Tax for Associates		<u>15</u>	<u>-</u>	<u>-</u>		<u>15</u>
At December	(\$	<u>32,179)</u>	<u>20,881)</u>	<u>\$ 4,824</u>	(\$	<u>48,236)</u>
31	(\$	<u>                    </u>	<u>                    </u>	<u>                    </u>		<u>                    </u>

(23) Operating revenue

	2020	2019
Revenue from contracts with customers	\$ 4,787,240	\$ 5,683,259
1. Disaggregation of revenue from contracts with customers		

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

	2020				
	<u>Transmission components for car</u>				
	<u>USA</u>	<u>China</u>	<u>Taiwan</u>	<u>Other regions</u>	<u>Total</u>
Revenue from external customer contracts	\$3,707,168	\$184,870	\$202,262	\$692,940	\$ 4,787,240
Revenue recognition time					
Revenue recognition at a point of time	\$3,707,168	\$184,870	\$202,262	\$692,940	\$ 4,787,240
	2019				
	<u>Transmission components for car</u>				
	<u>USA</u>	<u>China</u>	<u>Taiwan</u>	<u>Other regions</u>	<u>Total</u>
Revenue from external customer contracts	\$4,589,263	\$162,571	\$201,833	\$729,592	\$ 5,683,259
Revenue recognition time					
Revenue recognition at a point of time	\$4,589,263	\$162,571	\$201,833	\$729,592	\$ 5,683,259

2. Contract assets and contract liabilities: None.

(24) Interest income

	2020	2019
Interest income from bank deposits	\$ 665	\$ 1,678
Interest income financial assets measured at amortized cost	9	67
Other interest income	<u>2,725</u>	<u>4,396</u>
	<u>\$ 3,399</u>	<u>\$ 6,141</u>

(25) Other income

	2020	2019
Rent income	\$ 8,048	\$ 8,691
Dividend revenue	4,093	3,239
Government grants income	52,683	-
Other income-other	<u>15,686</u>	<u>4,301</u>
	<u>\$ 80,510</u>	<u>\$ 16,231</u>

(26) Other gains and losses

	2020	2019
Foreign exchange losses	(\$ 110,570)	(\$ 39,940)
Gains on disposals of property, plant and equipment	2,493	290
Gains on lease modification	276	-
Others	-	(4)
Total	(\$ 107,801)	39,654

(27) Finance costs

	2020	2019
Interest expense from bank borrowings	\$ 107,409	\$ 85,519
Less: Qualifying capitalization of interest	(16,688)	(9,057)
Subtotal	90,721	76,462
Interest expense-lease liabilities	4,225	4,609
Finance costs	\$ 94,946	\$ 81,071

(28) Expenses by nature

	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense	\$576,042	\$167,579	\$743,621	\$640,998	\$190,437	\$831,435
Depreciation on property, plant and equipment	540,619	21,118	561,737	529,557	20,720	550,277
Depreciation on right-of-use assets	9,812	6,790	16,602	13,291	8,272	21,563
Amortization on intangible assets	7,634	2,037	9,671	7,223	2,118	9,341

(29) Employee benefit expense

	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Salaries and wages	\$465,738	\$129,062	\$594,800	\$513,489	\$144,312	\$657,801
Labor and health insurance	50,949	11,634	62,583	57,780	13,884	71,664
Pension	18,797	11,342	30,139	22,433	7,849	30,282
Directors' remuneration	-	10,328	10,328	-	17,455	17,455

Other personnel expenses	<u>40,558</u>	<u>5,213</u>	<u>45,771</u>	<u>47,296</u>	<u>6,937</u>	<u>54,233</u>
	<u>\$576,042</u>	<u>\$167,579</u>	<u>\$743,621</u>	<u>\$640,998</u>	<u>\$190,437</u>	<u>\$831,435</u>

1. The number of employees for the current year and previous year were 995 and 1,093, respectively, and among them, directors who were not concurrent employees, are 10 and 10, respectively.
2. The average of employee benefit expense for the current year was NT\$745,000 (『Total of employee benefit expense for the current year - Total of directors' remuneration 』 / 『Number of employees for the current year - Number of directors who were not concurrent employees 』 ).

The average of employee benefit expense for the previous year was NT\$752,000 (  $\frac{\text{Total of employee benefit expense for the previous year} - \text{Total of directors' remuneration}}{\text{Number of employees for the previous year} - \text{Number of directors who were not concurrent employees}}$  ).

3. The average employees' salaries and wages for the current year was NT\$604,000 (  $\frac{\text{Total of salaries and wages for the current year}}{\text{Number of employees for the current year} - \text{Number of directors who were not concurrent employees}}$  ).

The average employees' salaries and wages for the previous year was NT\$607,000 (  $\frac{\text{Total of salaries and wages for the previous year}}{\text{Number of employees for the previous year} - \text{Number of directors who were not concurrent employees}}$  ).

4. The average of changes employees' salaries and wages adjustment went down 0.49% (  $\frac{\text{The average employees' salaries and wages for the current year} - \text{The average employees' salaries and wages for the previous year}}{\text{The average employees' salaries and wages for the previous year}}$  ).
5. 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.
6. The Company has established an auditing committee, hence there is no supervisor.
7. The Company directors' emoluments include directors' reward, transportation allowance, directors' remuneration. Directors' reward shall refer to the pay levels adopted by peer companies, transportation allowance shall be paid according to his/her attendance to the Board of Directors, and in compliance with the Articles of Incorporation, the directors' remuneration shall be allocated prepared by the Remuneration Committee and represented to the Board of Directors for resolution, and report to the Shareholders' Meeting. Managerial officers and employees' emoluments include salaries and wages, bonus, employees' compensation, employee stock option certificates, etc., taking into consideration of the responsibility carried of that position, and refer to the pay levels adopted by peer companies and individual performance. Evaluation result of each employee performance review is included in calculation basis of salaries and wages. Managerial officers' bonus and emoluments shall be prepared and approved by the Remuneration Committee and by the resolution of the Board of Directors.
8. For the years ended December 31, 2020 and 2019, employee's compensation and directors' remuneration were accrued at as follows:

	2020	2019
Employee's compensation	\$ 6,716	\$ 16,312
Directors' remuneration	\$ 3,521	\$ 9,549
	<u>\$ 10,237</u>	<u>\$ 25,861</u>

The aforementioned amounts were recognized in salary expenses.

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

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

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market

Observation Post System” at the website of the Taiwan Stock Exchange.  
(below blank)



(30) Income tax

1. Income tax expense

(1) Components of income tax expense

	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax on profits for the	\$ 71,727	\$ 164,089
Surtax on undistributed retained	3,376	11,044
Tax effect of investment tax	( 32,127)	( 76,347)
Prior year income tax underestimation(overestimation)	<u>2,196</u>	<u>( 3,582)</u>
Total current tax	<u>45,172</u>	<u>95,204</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>( 13,597)</u>	<u>( 14,359)</u>
Income tax expense	<u>\$ 31,575</u>	<u>\$ 80,845</u>

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

	<u>2020</u>	<u>2019</u>
Exchange difference on translation of foreign operations	\$ 2,227	\$ 1,594
Remeasurements of defined benefit obligation	<u>( 373)</u>	<u>( 4,620)</u>
Other comprehensive income	<u>\$ 1,854</u>	<u>(\$ 3,026)</u>

2. Reconciliation between income tax expense and accounting profit:

	<u>2020</u>	<u>2019</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 65,198	\$ 150,364
Tax effect disallowed by tax regulation	888	919
Exempt from income tax pursuant to the Income Tax Act	( 7,956)	( 1,553)
Tax effect of investment tax credits	( 32,127)	( 76,347)
Prior year income tax underestimation(overestimation)	2,196	( 3,582)
Surtax on undistributed retained earning	<u>3,376</u>	<u>11,044</u>
Income tax expense	<u>\$ 31,575</u>	<u>\$ 80,845</u>

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

	2020			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets:				
- temporary differences:				
Losses on foreign long-term equity investments	\$13,380	\$ 1,489	\$ -	\$ 14,869
Allowance for inventory valuation and obsolescence losses	13,619	1,221	-	14,840
Unappropriated accrued pension	4,979	( 2,010)	-	2,969
Allowance for uncollectible accounts	2,499	555	-	3,054
Remeasurements of defined benefit obligation	8,218	- (	373)	7,845
Differences between the accounting treatment and tax regulations in right-of-use assets	403	2,962	-	3,365
Unrealized employees' bonus	1,723	-	-	1,723
Unrealized profit on intercompany sales	3,722	( 286)	-	3,436
Unrealized foreign exchange loss	<u>6,494</u>	<u>2,009</u>	<u>-</u>	<u>8,503</u>
Subtotal	<u>\$55,037</u>	<u>\$ 5,940</u>	<u>(\$ 373)</u>	<u>\$ 60,604</u>
- Deferred income tax liabilities: Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$56,558)	\$ 7,657	\$ -	(\$ 48,901)
Exchange difference on translation of foreign operations	( 6,266)	-	2,227	( 4,039)
Land value increment tax	( <u>1,417</u> )	<u>-</u>	<u>-</u>	( <u>1,417</u> )

Subtotal	<u>(\$64,241)</u>	<u>\$ 7,657</u>	\$ 2,227	<u>(\$ 54,357)</u>
Total		<u>\$13,597</u>	<u>\$ 1,854</u>	
	(below blank)			

2019				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31 日
Deferred tax assets:				
- temporary differences :				
Losses on foreign long-term equity investments	\$12,147	\$ 1,233	\$ -	\$ 13,380
Allowance for inventory valuation and obsolescence losses	11,490	2,129	-	13,619
Unappropriated accrued pension	11,922	( 6,943)	-	4,979
Allowance for uncollectible accounts	2,499	-	-	2,499
Remeasurements of defined benefit obligation	12,838	-	( 4,620)	8,218
Differences between the accounting treatment and tax regulations in right-of-use assets	-	403		403
Unrealized employees' bonus	1,567	156	-	1,723
Unrealized profit on intercompany sales	3,167	555	-	3,722
Unrealized foreign exchange loss	-	6,494	-	6,494
Subtotal	<u>\$55,630</u>	<u>\$ 4,027</u>	<u>(\$ 4,620)</u>	<u>\$ 55,037</u>
- Deferred income tax liabilities: Differences between the accounting treatment and tax regulations in depreciation on property, plant and equipment	(\$66,326)	\$ 9,768	\$ -	(\$ 56,558)
Exchange difference on translation of foreign operations	( 7,860)	-	1,594	( 6,266)
Land value increment tax	( 1,417)	-	-	( 1,417)
Unrealized foreign exchange profit	( 564)	564	-	-
Subtotal	<u>(\$76,167)</u>	<u>\$10,332</u>	<u>\$ 1,594</u>	<u>(\$ 64,241)</u>
Total		<u><u>\$14,359</u></u>	<u><u>(\$ 3,026)</u></u>	

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

(31) Earnings per share

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

Profit attributable to ordinary			
shareholders of the parent plus assumed			
conversion of all dilutive potential ordinary shares			
	<u>\$ 286,094</u>	<u>254,743</u>	<u>\$ <del>1.12</del></u>

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

The Corporation presumes that the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted earnings per share, if the shares have a dilutive effect.

(32) Supplemental cash flow information

Investing activities with partial cash  
payments :

	2020	2019
Purchase of property, plant and equipment	\$ 1,151,790	\$ 2,212,105
Add: Opening balance of payable equipment	205,324	95,298
Ending balance of prepayment for equipment	450,755	373,272
Acquisition of other noncurrent assets-Land	2,905	84,913
Less: Ending balance of payable equipment	( 90,079)	( 205,324)
Opening balance of prepayment for equipment	( 373,272)	( 514,987)
Cash paid during the year	\$ 1,347,423	\$ 2,045,277

(33) Changes in liabilities from financing activities

	2020					
	Short-term borrowings	Short-term commercial financing	Lease	Long-term		Liabilities from Dividend
At January 1	\$1,000,753	\$560,000	\$286,298	\$6,362,417	\$ -	\$8,209,468
Changes in cash flow from financing activities	841,081	40,000	( 14,809)	26,611	( 509,913)	382,970
Increase during the year	-	-	-	-	509,913	509,913

Changes in other non-cash items	-	-	( 10,825)	-	-	( 10,825)
Impact of changes in foreign exchange rate	<u>8,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,536</u>
At December 31	<u>\$1,850,370</u>	\$600,000	\$260,664	\$6,389,028	\$ -	\$ 9,100,062

2019

	Short-term borrowings	Short-term commercial financing	Lease	Long-term	Liabilities from Dividend
At January 1	\$1,212,484	\$250,000	\$305,844	\$4,580,629	\$6,348,957
Changes in cash flow from financing activities	(220,351)	310,000	(19,546)	1,781,788	(892,348)
Increase during the year	-	-	-	-	892,348
Impact of changes in foreign exchange rate	8,620	-	-	-	-
At December 31	<u>\$1,000,753</u>	<u>\$560,000</u>	<u>\$286,298</u>	<u>\$6,362,417</u>	<u>\$ 8,209,468</u>

7. Related party transactions

(1) Names of related parties and relationship

Name of related parties	Relationship with the Group
HOZUAN INVESTMENT CO., LTD.(HOZUAN)	Subsidiary
HOWIN PRECISION CO., LTD.(HOWIN)	Subsidiary
WUXI HOTA PRECISION GEAR CO., LTD.(WUXI HOTA)	Subsidiary
HOTATECH,INC.(HOTATECH)	Subsidiary
CAPTAIN HOLDING CO., LTD.	Subsidiary
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	Associate
KAO FONG MACHINERY CO., LTD. (KAO FONG)	Associate
TAKAWA SEIKI, INC.(TAKAWA)	Associate
LING WEI CO., LTD.(LING WEI)	Associate
UNISON INC.(UNISON)	Associate
HOWON POWERTRAIN CO., LTD.(HOWON)	Associate
GLOBAL TECHNOS LTD.(GLOBAL) related party	Other
WORLD KNOWN MFG. CO., LTD.(WKM)	Other related parties (Note)
GUO-RONG SHEN	Other related parties
MAIN DRIVE CORPORATION	Other related parties
QIAN ZUAN CO., LTD.	Other related parties
Taipei Gaohe Chungui Charity Foundation same as that of the Company.	Chairman of the Foundation is

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

(2) Significant related party transactions



1. Operating revenue

	2020	2019
Sale of goods:		
Subsidiary	\$ 47,323	\$ 66,538
Associate	1,084	684
Other related parties	<u>11,842</u>	<u>21,534</u>
Total	<u>\$ 60,249</u>	<u>\$ 88,756</u>

The Company sells to the related parties with standard sales price and payment term 30~180 days. Payment term for general customers is 90~180 days.

## 2. Purchasing

	<u>2020</u>	<u>2019</u>
Purchase of goods Associates	\$ 98	\$ -
Other related parties	<u>127</u>	<u>4,405</u>
	<u>\$ 225</u>	<u>\$ 4,405</u>

Purchasing by the Company 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

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 58,309	\$ 70,513
Associates	<u>49,467</u>	<u>54,139</u>
	<u>\$ 107,776</u>	<u>\$ 124,652</u>

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

## 4. Rental revenue

	<u>2020</u>	<u>2019</u>
Associates	\$ <u>600</u>	\$ <u>600</u>

Rental of the aforesaid leasing object is calculated based on the rentals in the neighborhood and the leasing area, and the rental shall be collected every 30 days.

## 5. Rental

	<u>2020</u>	<u>2019</u>
Associate	\$ <u>1,259</u>	\$ <u>3,776</u>

Rental of the aforesaid leasing object is calculated based on the rentals in the neighborhood and the leasing area, and the rental shall be paid by monthly.

## 6. Commission

	<u>2020</u>	<u>2019</u>
HOTATECH	\$ <u>31,455</u>	\$ <u>40,951</u>

Commission of the Company is based on the sales volume of a variety of models for

different customers, that shall be paid to the subsidiaries pursuant to the agreed ratio.

(below blank)

## 7. Receivables from Related Parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable		
Subsidiaries	\$ 18,374	\$ 18,747
Associates	291	567
Other related parties	<u>-</u>	<u>32</u>
Subtotal	<u>18,665</u>	<u>19,346</u>
Other receivables		
Subsidiaries	<u>55</u>	<u>2</u>
Subtotal	<u>55</u>	<u>2</u>
Total	<u>\$ 18,720</u>	<u>\$ 19,348</u>

## 8. Payables to Related Parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries	\$ 24,400	\$ 29,496
Subtotal	<u>24,400</u>	<u>29,496</u>
Other payables:		
Subsidiaries	222	40
Associates	6,606	8,907
Other related parties	<u>234</u>	<u>-</u>
Subtotal	<u>7,062</u>	<u>8,947</u>
Total	<u>\$ 31,462</u>	<u>\$ 29,536</u>

## 9. Other Noncurrent Assets

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

## 10. Property transactions

### (1) Purchase of property transaction:

	<u>2020</u>	<u>2019</u>
Purchase of property, plant and equipment		
Associate	\$ 11,899	\$ 10,645
Other related parties	<u>1,619</u>	<u>70,130</u>
	<u>\$ 13,518</u>	<u>\$ 80,775</u>

### (2) Purchase of property transaction outstanding balance:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Purchase of property, plant and equipment		
Associates	\$ 324	\$ 3,341
Other related parties	<u>80</u>	<u>-</u>
	<u>\$ 404</u>	<u>\$ 3,341</u>

## 11. Loans to Related Parties

### (1) Loans to related parties:

#### A. Outstanding balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HOWON	\$ <u>                    -</u>	\$ <u>          179,880</u>
B. Interest income		

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HOWON	\$ <u>                    -</u>	\$ <u>                  3,253</u>

Terms of loan to the subsidiaries is repayment within one year after the loan, which will be paid at 2% of annual interest rate for 2019 interest.

## 12. Endorsement provided to related parties

Information of endorsement provided to others is provided in Note 13(1)2.

### (3) Key management compensation

	<u>2020</u>	<u>2019</u>
Other short-term employee benefits	\$ 41,591	\$ 55,989
Post-employment benefits	1,197	1,010
Total	\$ <u>42,788</u>	\$ <u>56,999</u>

## 8. Pledged Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Purpose</u>
Property, plant and equipment	\$ 5,207,687	\$ 7,512,047	Long-term loan 、 Short-term borrowings
Financial assets at amortized cost	57,355	606	Project guarantee deposit
	\$ <u>5,265,042</u>	\$ <u>7,512,653</u>	

## 9. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

2. Capital expenditure on contract signed but not occurred yet

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant and equipment	\$ <u>354,170</u>	\$ <u>734,878</u>

## 10. Significant Disaster Loss

None.

## 11. Significant Events After the Balance Sheet Date

1. On September 10, 2020, the directors at their meeting resolved to increase cash capital and issue ordinary stock of 25,000 thousand shares with a par value of NT\$10 and an additional paid-in capital of NT\$90 per share. New shares issuance was approved by the security authorities on October 8, 2020, and the effective date was February 1, 2021.

2. On March 11, 2021, the Company signed “Syndicated Loans Agreement” with a total amount of NT\$5,000,000 with syndicate bank consisting of Land Bank of Taiwan, E.SUN Bank and Bank of Taiwan, and Land Bank of Taiwan as the lead bank for repayments to the financial institution and for replenishment of mid-term working capital.

## 12. Others

### (1) Capital management

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total liabilities	\$ 10,650,032	\$ 9,842,952
Total assets	17,002,590	16,411,528
Ratio of liabilities to assets	62.64%	59.98%

### (2) Financial instruments

#### 1. Financial instruments by category

##### Financial assets

##### Financial asset at fair value through other comprehensive income

Investment in designated equity instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	\$ 133,689	\$ 135,784
Accounts receivable	727,869	738,271

##### Financial asset at amortized cost/loans and accounts receivable

Cash and cash equivalents	687,561	377,446
Financial assets at amortized cost	57,355	<u>606</u>
Notes receivable	9,842	581



Accounts receivable (including related parties)	1,332,130	1,442,500
Other receivables	40,778	253,763
Refundable deposits	<u>6,604</u>	<u>7,684</u>
	<u>\$ 2,995,828</u>	<u>\$ 2,956,635</u>

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 1,850,370	\$ 1,000,753
Short-term commercial papers payable	600,000	560,000
Notes payable	425,000	381,778
Accounts payable	438,171	428,330
Other payables	435,034	562,293
Long-term loan (including the expiration within a year or an operating cycle)	<u>6,342,239</u>	<u>6,362,417</u>
	<u>\$ 10,090,814</u>	<u>\$ 9,295,571</u>
Lease liability	<u>\$ 260,664</u>	<u>\$ 286,298</u>

## 2. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk, and price risk), credit risk and liquidity risk.
- (b) Risk management is carried out by a central treasury department (Company treasury). Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company'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

The current year found no major changes but the following explanation, please refer to 2020 Consolidated Financial Statements Note(12).

### (A) Market risk

#### Foreign exchange risk

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

(below blank)

		December 31, 2020					
		Book value		-	<u>Sensitivity analysis</u>		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange Rate	(NTD )	Degree of variation	Effect of other Effect of profit or loss comprehensive income		
Financial assets							
Monetary items							
USD : TWD	\$ 73,873	28.48	\$ 2,103,903	1%	\$ 21,039	\$	-
EUR : TWD	7,375	35.02	258,273	1%	2,583		-
JPY : TWD	44,196	0.28	12,375	1%	124		-
RMB : TWD	5,484	4.38	24,003	1%	240		-
CHF : TWD	2,107	32.31	68,067	1%	681		-
Investment in equity instruments							
USD : TWD	\$ 122	28.48	\$ 3,472	1%	\$ -	\$	35
RMB : TWD	10,432	4.38	45,693	1%	-		457
Financial liabilities							
Monetary items							
USD : TWD	\$ 520	28.48	\$ 14,810	1%	\$ 148	\$	-
EUR : TWD	103	35.02	3,607	1%	36		-
JPY : TWD	26,998	0.28	7,559	1%	76		-
RMB : TWD	547	4.38	2,394	1%	24		-

		December 31, 2019					
		Book value			Sensitivity analysis		
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	(TWD )	Degree of variation	Effect of profit or loss	Effect of other comprehensive income	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 70,305	29.98	\$ 2,107,744	1%	\$ 21,077	\$ -	
EUR : TWD	4,729	33.59	158,847	1%	1,588	-	
JPY : TWD	60,815	0.28	17,028	1%	170	-	
RMB : TWD	899	4.31	3,875	1%	39	-	
<u>Investment in equity instruments</u>							
USD : TWD	\$ 104	29.98	\$ 3,109	1%	\$ -	\$ 31	
RMB : TWD	12,368	4.31	53,306	1%	-	533	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 410	29.98	\$ 12,292	1%	\$ 123	\$ -	
EUR : TWD	405	33.59	13,604	1%	136	-	
JPY : TWD	546,992	0.28	153,158	1%	1,532	-	
CHF : TWD	221	30.67	6,778	1%	68	-	

(below blank)

- C. Total exchange loss (including amounts realized and unrealized) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to \$110,570,000 and \$39,940,000, respectively.

#### Price risk

- a. The Company is exposed to price risk as the Company 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 Company diversifies its portfolio and executing based on the limits set by the Group.
- b. The Company'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 5% with all other factors remain constant, gains or losses in equity instruments at fair value through other comprehensive income increased of NT\$6,684,000 and NT\$6,789,000, respectively.

#### Cash flow and fair value interest risk

- a. The Company's interest risk primarily comes from long-term loans at floating rates, that the Group is exposed to cash flow interest rate risk. As of December 31, 2020 and 2019, the Company's loans at floating interest rates are denominated in New Taiwan Dollars.
- b. The Company entered into interest rate swap contracts of converting borrowings from floating rates to fixed rates for management of interest rate risk, and that swap between the Company and the counterparty was agreed in a specific period (mainly per each season) of the differences at between fixed rates and floating rates based on a notional principal amount. The rise of long-term loans of the Company is at floating rates and transfer into fixed rates through interest rate swap, that the interest rate will be smaller than fixed rates the Company directly obtains for loans.
- c. When the loans denominated in New Taiwan Dollars increase or decrease by 0.25% with all other factors remain constant, profit before tax for 2020 and 2019 decreased or increased NT\$15,856,000 and NT\$15,906,000, respectively, mainly caused by variations of the interest expenses from bank loans at floating rates.

#### (B)Credit risk

- a. Credit risk refers to the risk of financial loss to the Company 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 Company, and the Company 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 Company 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 Company periodically reviews the correspondent banks and financial institutions about their credit ratings and service conditions, qualities and contacts, and

according to operating conditions, the Company periodically monitors to maintain reasonable credit limits and utilization of credit limits that ensures to satisfy the operational needs.

- c. The Company adopts the following assumptions under IFRS 9, if there has been a significant increase in credit risk on that instrument since initial recognition:
- (i) When the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
  - (ii) Bond investments traded at Taipei Exchange (“TPEX”) is recognized as low credit risk when that instruments in the 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 Company’s judgement on that investment has been a significant in credit risk.
- e. When the default rate of an investment target is more than 25.64%, the Company’s judgement on that investment has been a significant in credit risk.
- f. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 360 days.
- g. The Company classifies customers’ accounts receivable in accordance with customer rating types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- h. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
  - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
  - (iii) Default or delinquency in interest or principal repayments;
  - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- i. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.
- j. The Company used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the provision matrix is as follows:

December 31, 2020				
	<u>Expected loss rate</u>	<u>Total book value</u>	<u>—</u>	<u>Loss allowance</u>
Not past due	0.01%	\$ 1,856,081	\$	179
Up to 120 days	0.59%	150,940		892
Up to 121-240 days	3.04%	25,708		781
Up to 241-360 days	25.64%	14,063		3,606
More than 361 days	100	7,028		7,028
<b>Total</b>		<u>\$ 2,053,820</u>	<u>\$</u>	<u>12,486</u>

December 31, 2019				
	<u>Expected loss rate</u>	<u>Total book value</u>	<u>—</u>	<u>Loss allowance</u>
Not past due	0.01%	\$ 1,790,432	\$	179

Up to 120 days	0.27%	335,561	892
Up to 121-240 days	2.57%	30,370	781
Up to 241-360 days	34.28%	10,520	3,606
More than 361 days	100	<u>4,250</u>	<u>4,250</u>
Total		<u>\$ 2,171,133</u>	<u>\$ 9,708</u>



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

	<u>2020</u>	<u>2019</u>
	<u>Account receivable</u>	<u>Account receivable</u>
At January 1	\$ 9,708	\$ 5,208
Provision for impairment loss	5,674	4,500
Write-off uncollectible accounts	( 2,896)	-
At December 31	<u>\$ 12,486</u>	<u>\$ 9,708</u>

The Group's recognized loss allowance of impairment loss amounted to NT\$2,778,000 and NT\$4,500,000 for the years ended December 31, 2020 and 2019, respectively.

#### (C) Liquidity risk

- a. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Group treasury monitors rolling forecasts of the Company'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 Company will not violate the relevant limits or terms of loans. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
- b. The loan limits of NT\$2,425,730,000 have not been utilized.
- c. The Company's non-derivative financial liabilities in the following table are categorized based on the maturity date and are analyzed based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### December 31, 2020

<u>Non-derivative</u>	<u>Less than</u>	<u>Between 3 months</u>	<u>Between</u>	<u>Between</u>	<u>More than</u>	<u>Total</u>
<u>financial liabilities:</u>	<u>3 months</u>	<u>and 1 year</u>	<u>1 and 2 years</u>	<u>2 and 5 years</u>	<u>5 years</u>	
Short-term borrowings	\$1,762,078	\$ 90,731	\$ -	\$ -	\$ -	\$ 1,852,809
Short-term notes payable	600,000	-	-	-	-	600,000
Notes payable	119,592	305,408	-	-	-	425,000
Accounts payable	342,111	96,060	-	-	-	438,171
Other payables	370,425	64,609	-	-	-	435,034
Lease liabilities	3,134	9,403	12,537	28,651	284,487	338,212
Other current liabilities	69,321	-	-	-	-	69,321

Long-term loans (including maturity date within one year or one operating cycle)	2,212,899	1,627,155	933,131	986,543	763,339	6,523,067
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December 31, 2019

	Less than <u>3 months</u>	Between 3 months and 1 year	Between <u>1 and 2 years</u>	Between <u>2 and 5 years</u>	Between <u>5 years</u>	More than <u>Total</u>
Non-derivative financial liabilities:						
Short-term borrowings	\$ 832,750	\$ 169,306	\$ -	\$ -	\$ -	\$1,002,056
Short-term notes payable	560,000	-	-	-	-	560,000
Notes payable	223,886	157,892	-	-	-	381,778
Accounts payable	349,600	78,730	-	-	-	428,330
Other payables	488,546	73,747	-	-	-	562,293
Lease liabilities	5,291	14,850	17,912	33,512	297,727	369,292
Other current liabilities	10,177	-	-	-	-	10,177
Long-term loans (including maturity date within one year or one operating cycle)	-	1,546,168	1,825,928	796,385	2,487,586	6,656,067

(C) Fair value information

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

The first level (Level 1): 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 Company'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 Company's investments in inactive market derivatives are included.

2. The Company'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 Company'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:

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
Financial assets at FVTOCI				

- equity securities	\$ 76,039	\$ -	\$ 57,650	\$ 133,689
- accounts receivable	<u>-</u>	<u>727,869</u>	<u>-</u>	<u>727,869</u>
Total	<u>\$ 76,039</u>	<u>\$ 727,869</u>	<u>\$ 57,650</u>	<u>\$ 861,558</u>

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value</u>				
<b>Financial assets at FVTOCI</b>				
- equity securities	\$ 61,292	\$ -	\$ 74,492	\$ 135,784
- accounts receivable	-	738,271	-	738,271
<b>Total</b>	<b>\$ 61,292</b>	<b>\$ 738,271</b>	<b>\$ 74,492</b>	<b>\$ 874,055</b>

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

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

	<u>Publicly traded stocks</u>	<u>Open-end funds</u>
Quoted market prices	Closing price at valuation date	Net value at valuation date

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

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 74,492	\$ 84,600
Purchase in the current year	6,503	2,239
Profit recognized in other	(23,345)	(12,347)
Balance, end of year	<u>\$ 57,650</u>	<u>\$ 74,492</u>

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

	<u>December 31, 2020</u>	<u>Valuation</u>	<u>Material</u>	<u>Range</u>	<u>Relation of</u>
	<u>Fair value</u>	<u>Technique</u>	<u>unobservable</u>	<u>(Weighted</u>	<u>inputs and fair value</u>
			<u>inputs</u>	<u>average)</u>	
Equity securities	\$ 17,726	Comparable to listed companies pursuant to the Company Act	Price-book ratio multiplier	\$ 1,311	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
	<u>December 31, 2019</u>	<u>Valuation</u>	<u>Material</u>	<u>Range</u>	<u>Relation of</u>
	<u>Fair value</u>	<u>Technique</u>	<u>unobservable</u>	<u>(Weighted</u>	<u>inputs and fair value</u>
			<u>inputs</u>	<u>average)</u>	
Equity securities	\$ 29,982	Comparable to listed companies	Price-book ratio multiplier	\$ 4,027	The higher the multiplier, the higher the fair value.
Stocks from venture capital	44,510	Net assets	Not	44,510	Not applicable

7. Valuation model and parameter is adopted by the Company 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:

		<u>December 31, 2020</u>					
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>			
	<u>Favorable change in inputs changes</u>	<u>Unfavorable change</u>		<u>Favorable change</u>			
	<u>Unfavorable change</u>						
Financial assets							
Equity instruments	Market price						
	Price-book ratio	±1%	\$	-	\$ -	\$ 577	(\$ 577)

		<u>December 31, 2019</u>			
		<u>Recognized in profit or loss</u>		<u>Recognized in other comprehensive income</u>	
		<u>—</u>		<u>Unfavorable change</u>	<u>Favorable change</u>
Financial assets	<u>Favorable change in inputs changes</u>				
	<u>Unfavorable change</u>				
Equity instruments	Market price	—			
	Price-book ratio±1%	\$	-	\$	745 (\$ 745)

### 13. Supplementary Disclosures

#### (1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsement and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

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



(3) Information on investments in Mainland China

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

(4) Major shareholders information

Major shareholders information:

Please refer to table 7.

(below blank)

Hota Industrial Manufacturing CO., LTD.  
Loans to others  
Year ended December 31, 2020

TABLE 1

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

Note 2: The ceiling on total loans to others is the Company net assets, the limit is 40% of the Company net assets.

Note 3: Limit on loans granted for a single party is 20% of the net assets of the Company.

Note 4: (1)For business transactions.

(2)For short-term financing.

Hota Industrial Manufacturing CO., LTD.  
Provision of endorsements and guarantees to others  
Year ended December 31, 2020

TABLE 2

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

(1)The Company is '0'.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hota Industrial Manufacturing CO., LTD.  
Holding of marketable securities (not including subsidiaries, associates and joint ventures)  
December 31, 2020

TABLE 3

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

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

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

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

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

Hota Industrial Manufacturing CO., LTD.  
Significant inter-company transactions during the reporting period  
For the year ended December 31, 2020

TABLE 4

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is '0'.

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

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2)Subsidiary to parent company.

(3)Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

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

Hota Industrial Manufacturing CO., LTD.  
Information on investees  
December 31, 2020

TABLE 5

Expressed in thousands of TWD  
(Except as otherwise indicated)

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

Note 1 : The book value of the long-term investment is the balance after the impairment loss of RMB 3,736 thousand has been recognized.

Note 2 : Recognize investment gains and losses through each subsidiary.

Note 3 : KAOFONG MACHINERY CO., LTD.is jointly held by Hota Industrial Manufacturing CO., LTD. And Howin Precision Company Limited andHozuan investment Company Limited,

Its total shareholding ratio is 16.11%, and the investment loss recognized by the Group totals 1,968 thousand yuan.

Note 4 : The transactions were eliminated when preparing the consolidated financial statements.

Hota Industrial Manufacturing CO., LTD.  
INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE 6

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

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

Note 1 : Investment methods are classified into the following three categories:

- (1)Directly invest in a company in Mainland China.
- (2)Investments through a holding company registered in a third region.
- (3)Others.

Note 2 : Wuxi Hoda Precision gear Company Limited the paid-in capital is US\$6,000,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$5,800,000.

Note 3 : Howon(Whaian)automobile components Company Limited the paid-in capital is US\$10,600,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$10,600,000.

Note 4 : Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 prevailing on December 31, 2020.

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

Note 1 : According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

Note 2 : Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$16,400,000.

Hota Industrial Manufacturing CO., LTD.  
INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2020

TABLE 7

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



HOTA INDUSTRIAL MFG. CO., LTD.

Cash and Cash Equivalents

December 31, 2020

Statements 1

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>
Petty cash		\$ 290
Checkings and savings		253,061
Foreign currency deposits JPY	44,195,000 , Exchange rate 1:0.276	
	USD 11,029,000 , Exchange rate 1:28.48	
	EUR 2,747,000 , Exchange rate 1:35.02	
	CNY 1,665,000 , Exchange rate 1:4.377	
	THB 5,255,000 Exchange rate 1:0.956	<u>434,210</u>
		<u>\$ 687,561</u>

HOTA INDUSTRIAL MFG. CO., LTD.

Accounts Receivable - Net

December 31, 2020

Statements 2

Expressed in Thousands of New Taiwan Dollars

<u>Customers Name</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Customer A		\$ 849,355	
Customer B		585,532	
Customer		154,172	
Others		482,809	Balance of each individual customer exceeds no more than 5% of the account.
		2,053,820	
Less:		( 12,486)	
Allowance for doubtful accounts		\$ 2,041,334	

HOTA INDUSTRIAL MFG. CO., LTD.

Inventories

December 31, 2020

Statements 3

Expressed in Thousands of New Taiwan Dollars

		<u>Amount</u>		
<u>Items</u>	<u>Costs</u>	<u>Net realizable value</u>	<u>Secured by market price</u>	
Raw materials	\$ 393,470	\$ 516,906	Replacement cost	
Work in process	733,801	851,122	Net realized value	
Finished goods	<u>622,969</u>	<u>741,764</u>	Net realized value	
	1,750,240 (	<u>\$ 2,109,792</u>		
Less: Allowance for inventory valuation and obsolescence losses	<u>74,202)</u>			
	<u>\$ 1,676,038</u>			

HOTA INDUSTRIAL MFG. CO., LTD.  
Movements of Investments for Using Equity Method  
From January 1, 2020 To December 31, 2020

Statements 4

Expressed in Thousands of New Taiwan Dollars

Items	<u>Balance, beginning of year</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance, end of year</u>			<u>Equities</u>		<u>Collateralized or pledged</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Shareholding ratio</u>	<u>Amount</u>	<u>Unit price</u>	<u>Total price</u>	
Long-term equity investment for using equity method:												
HOZUAN INVESTMENT CO., LTD.	25,221	\$ 296,484	-	\$ 10,562	-	(\$ 6,737)	25,221	100%	\$300,309	11.91	\$300,309	None
CAPTAIN HOLDING., LTD.	10,603	167,487	-	-	-	( 8,790)	10,603	100%	158,697	15.60	158,697	None
WUXI HOTA PRECISION GEAR CO., LTD.	-	53,306	-	-	-	( 7,613)	-	100%	45,693	-	45,693	None
HOWIN PRECISION CO., LTD.	7,305	86,752	-	1	-	( 2,918)	7,305	61.05%	83,835	11.48	83,835	None
HOTATECH, INC.	530	224,527	-	-	-	( 6,610)	530	100%	217,917	420.30	217,917	None
JUDA INTELLIGENT TECH CO., LTD.	500	5,019	-	-	-	( 25)	500	83.33%	4,994	9.99	4,994	None
KAO FONG MACHINERY CO., LTD.	839	16,271	-	33	-	( 321)	839	0.78%	15,984	19.05	15,984	None
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	375	3,736	-	-	-	-	375	25%	3,736	9.96	3,736	None
LING WEI CO., LTD.	2,441	32,102	-	61	-	( 2,440)	2,441	45%	29,723	12.18	29,723	None
TAKAWA SEIKI, INC.	120	3,108	-	537	-	( 174)	120	40%	3,472	28.93	3,472	None
		888,792		11,194		( 35,628)			864,360		864,360	
Less: accumulated impairment		( 3,736)		-		-			( 3,736)		( 3,736)	
		<u>\$ 885,056</u>		<u>\$ 11,194</u>		<u>(\$ 35,628)</u>			<u>\$860,624</u>		<u>\$860,624</u>	

HOTA INDUSTRIAL MFG. CO., LTD.  
Movements of Property, Plant and Equipment  
From January 1, 2020 To December 31, 2020

Statements 5

Expressed in Thousands of New Taiwan Dollars

	<u>Balance, beginning of year</u>				<u>Balance, end of year</u>		Collateralized
– <u>Items</u>	<u>Original cost</u>	<u>Revaluation reserve</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Original cost</u>	<u>Revaluation reserve or pledged</u>
	Please refer to Note 6(8) and 8 for information of 「Property, plant and equipment」.						

HOTA INDUSTRIAL MFG. CO., LTD.

Movements of Accumulated Depreciation on Property, Plant and Equipment

From January 1, 2020 To December 31, 2020

Statements 6

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance, end of year</u>
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Please refer to Note 6(8) and 8 for information of 「Property, plant and equipment」.

HOTA INDUSTRIAL MFG. CO., LTD.

Short-term Borrowings

December 31, 2020

Statements 7

Expressed in Thousands of New Taiwan Dollars

Types of loans	Description	Balance, end of year	Term of Contract	Range of interest rate	Pledged or Collateralized	Remarks
First Bank	Collateralized borrowing	\$ 120,000	Dec. 31, 2020 ~ Jan. 29, 2021	0.92%	Land, Buildings	
Taiwan Business Bank	Collateralized borrowing	<u>14,464</u>	Dec. 17, 2020 ~ Jun. 15, 2021	0.85%	Machinery equipment	
		<u>134,464</u>				
Taipei Fubon Bank	Credit loan	100,000	Nov. 25, 2020 ~ Mar. 6, 2021	0.92%		
First Bank	Credit loan	95,906	Nov. 18, 2020 ~ Jun. 21, 2021	1.06%~1.11%		
E.SUN Bank	Credit loan	180,000	Oct. 14, 2020 ~ Mar. 3, 2021	0.68%~0.80%		
Hua Nan Bank	Credit loan	130,000	Nov. 20, 2020 ~ Mar. 30, 2021	0.93%~0.95%		
EnTie Bank	Credit loan	200,000	Oct. 26, 2020 ~ Mar. 25, 2021	1.06%		
Land Bank of Taiwan	Credit loan	50,000	Dec. 4, 2020 ~ Mar. 3, 2021	1.01%		
Bank SinoPac	Credit loan	300,000	Dec. 4, 2020 ~ Mar. 4, 2021	1.08%		
Mega International Commercial Bank	Credit loan	100,000	Jul. 28, 2020 ~ Jan. 24, 2021	1.051%		
Cathay United Bank	Credit loan	270,000	Dec. 25, 2020 ~ Jan. 25, 2021	0.90%		
Chang Hwa Bank	Credit loan	250,000	Dec. 23, 2020 ~ Jan. 27, 2021	1.18%		

Bangkok Bank	Credit loan	<u>40,000</u>	Aug. 5, 2020 ~ Feb. 1, 2021	1.25%
		<u>1,715,906</u>		
		<u>\$ 1,850,370</u>		



HOTA INDUSTRIAL MFG. CO., LTD.

Accounts Payable

December 31, 2020

Statements 8

Expressed in Thousands of New Taiwan Dollars

<u>Name of Supplier</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Supplier A		\$ 47,232	
Supplier B		37,949	
Supplier C		32,790	
Supplier D		24,400	
Others		<u>295,800</u>	Balance of each individual supplier exceeds no more than 5% of the account.
Total		<u>\$ 438,171</u>	

HOTA INDUSTRIAL MFG. CO., LTD.

Notes Payable

December 31, 2020

Statements 9

Expressed in Thousands of New Taiwan Dollars

<u>Name of Supplier</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Supplier A		\$ <u>425,000</u>	

HOTA INDUSTRIAL MFG. CO., LTD.

Long-term Loans

December 31, 2020

Statements 10

Expressed in Thousands of New Taiwan Dollars

<u>Lender</u>	<u>Abstract</u>	<u>Amount of loans</u>	<u>Term of Contract</u>	<u>Interest rate</u>	<u>Pledged or Collateralized</u>	<u>Remarks</u>
Syndication of 9 banks, Syndicated including E.SUN Bank		secured loan	<u>\$ 1,333,704</u>	Jul. 15, 2016~Jul. 22, 2022	1.79%	Plant, office buildings and machinery equipment
Taiwan Business Bank		Secured loan	595,419	Mar. 17, 2017~Nov. 28, 2032	0.00%~1.30%	Land and machinery equipment
Hua Nan Bank		Secured loan	155,467	Jun. 3, 2016~May 24, 2024	1.12%	Machinery equipment
O-Bank		Secured loan	50,240	Apr. 15, 2015~Apr. 15, 2022	1.21%	Machinery equipment
Land Bank of Taiwan		Secured loan	1,074,802	Mar. 25, 2016~Sep. 27, 2038	1.09%~1.34%	Land, buildings and machinery equipment
Chang Hwa Bank		Secured loan	353,468	Feb. 26, 2016~May 30, 2039	1.13%~1.31%	Land and machinery equipment
Taiwan Cooperative Bank		Secured loan	242,494	Mar. 25, 2016~Aug. 31, 2021	1.30%~1.50%	Land, buildings and machinery equipment
First Bank		Secured loan	132,960	Dec. 13, 2019~Nov. 15, 2029	0.10%	Machinery equipment
Shanghai Commercial & Savings Bank		Secured loan	<u>68,404</u>	Apr. 26, 2017~Nov. 15, 2022	1.15%	Machinery equipment
			<u>4,006,958</u>			

(Continued)

HOTA INDUSTRIAL MFG. CO., LTD.

Long-term Loans (continued)

December 31, 2020

Statements 10

Expressed in Thousands of New Taiwan Dollars

Lender	Abstract	Amount of loans	Term of Contract Remarks	Interest rate	Pledged or Collateralized
JihSun Bank	Unsecured loan	\$ 200,000	Aug. 26, 2020~Feb. 26, 2021	1.05%	
O-Bank	Unsecured loan	162,353	Mar. 17, 2015~Aug. 25, 2022	0.83%~1.21%	
Yuanta Bank	Unsecured loan	75,000	Jul. 23, 2018~Jul. 22, 2021	0.98%	
First Bank	Unsecured loan	239,286	Jul. 18, 2019~Jul. 18, 2026	0.10%	
Taiwan Business Bank	Unsecured loan	200,000	May 28, 2019~May 15, 2026	0.00%	
Taishin International Bank	Unsecured loan	100,000	Sep. 11, 2020~Oct. 12, 2020	1.10%	
Taiwan Cooperative Bank	Unsecured loan	745,431	Aug. 15, 2019~Aug. 31, 2020	0.90%	
Mizuho Bank	Unsecured loan	560,000	Oct. 30, 2020~Mar. 25, 2021	0.95%	
Agricultural Bank of Taiwan	Unsecured loan	<u>100,000</u>	Oct. 26, 2020~Oct. 26, 2021	0.90%	
		2,382,070			
Less: Long-term loans due within one year		( 1,997,512)			
Less: Government grants discount		( <u>46,789</u> )			
		<u>\$ 4,344,727</u>			

HOTA INDUSTRIAL MFG. CO., LTD.

Operating Revenues

From January 1, 2020 To December 31, 2020

Statements 11

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Gear and shaft for motorcycles	In thousands	477	\$ 272,415	
Gear and shaft for automobiles	In thousands	6,728	4,259,974	
Gear and shaft for others	In thousands	971	<u>309,624</u>	
			4,842,013	
Less: Sales returns and allowances			( <u>54,773</u> )	
			<u>\$ 4,787,240</u>	

HOTA INDUSTRIAL MFG. CO., LTD.  
Operating Costs  
From January 1, 2020 To December 31, 2020

Statements 12

Expressed in Thousands of New Taiwan Dollars

	<u>Amount</u>
Beginning raw materials and supplies	\$ 469,991
Add: Material purchased for current period	1,118,906
Gain on materials and supplies inventory	31
Less: Ending balance of raw materials and supplies	( 393,470)
Raw materials and supplies sold	( 13,504)
Transferred into various expenses	( 3,513)
Raw materials and supplies consumed for current period	1,178,441
Direct labor	311,035
Manufacturing overhead	<u>2,270,718</u>
Production costs	3,760,194
Add: Beginning work in process	729,822
Material purchased for current period	62,411
Transferred from finished goods	2,402,488
Less: Ending balance of work in process	( 733,801)
Semi-finished goods sold	( 13,644)
Cost of finished goods	6,207,470
Add: Beginning finished goods	593,541
Finished goods purchased for current period	2,691
Gain on finished goods inventory	56
Less: Ending balance of finished goods	( 622,969)
Reclassified as work in process	( 2,402,488)
Reclassified as fixed assets	( 88,276)
Transfer into various expenses	( 11,721)
Cost of production and sales	3,678,304
Add: Cost of raw materials and supplies sold	13,504
Semi-finished goods sold	13,644
Gain on physical inventory	( 87)
Allowance for inventory valuation and obsolescence losses	6,106
Less: Revenue from sale of scraps	( 42,070)
Operating costs	<u>\$ 3,669,401</u>

HOTA INDUSTRIAL MFG. CO., LTD.

Manufacturing Overhead

From January 1, 2020 To December 31, 2020

Statements 13

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
Processing costs		\$ 977,920	
Depreciation expense		550,431	
Salaries and wages		120,016	
Other expenses		<u>622,351</u>	Each individual account exceeds no more than 5% of the account.
		<u>\$ 2,270,718</u>	

HOTA INDUSTRIAL MFG. CO., LTD.

Operating Expenses

From January 1, 2020 To December 31, 2020

Statements 14

Expressed in Thousands of New Taiwan Dollars

					General and
Research					
<u>Items</u>	<u>Sales and marketing expenses</u>	<u>administrative expenses</u>	<u>development expenses</u>	<u>Total</u>	<u>Remarks</u>
Salaries and wages	\$ 38,512	\$ 54,870	\$ 47,022	\$ 140,404	
Shipping expenses	222,215	1	-	222,216	
Commission expenses	52,655	-	-	52,655	
Export charges	84,058	-	-	84,058	
Other expenses	<u>54,282</u>	<u>42,496</u>	<u>61,609</u>	<u>158,387</u>	Each individual account exceeds no more than 5% of the account.
	<u>\$ 451,722</u>	<u>\$ 97,367</u>	<u>\$ 108,631</u>	<u>\$ 657,720</u>	



HOTA INDUSTRIAL MFG. CO., LTD.

Other Gains and Losses

From January 1, 2020 To December 31, 2020

Statements 15

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
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Please refer to Note 6(26) for information of 「Other Gains and Losses」.

HOTA INDUSTRIAL MFG. CO., LTD.

Finance Costs

From January 1, 2020 To December 31, 2020

Statements 16

Expressed in Thousands of New Taiwan Dollars

<u>Items</u>	<u>Abstract</u>	<u>Amount</u>	<u>Remarks</u>
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Please refer to Note 6(27) for information of 「 Finance Costs 」 .

HOTA INDUSTRIAL MFG. CO., LTD.

Functional Summary of Employee Benefit, Depreciation, Depletion and Amortization Occurred in Current Period

From January 1, 2020 To December 31, 2020

Statements 17

Expressed in Thousands of New Taiwan Dollars

By function	2020			2019		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to	Attributable to operating expenses	Total
Please refer to Note 6(28) (29) for information of 「Functional Summary of Employee Benefit, Depreciation, Depletion and Amortization Occurred in Current Period」.						

**(VI) Whether there is Financial Difficulties by Insufficient Cash Flow in the Company and Its Related Companies in the Most Recent Year and up to the Date of Publication: No such occurrence in the Company.**

## VII. Review and Analysis of Financial Condition and Financial Performance and Risks

### (I) Financial Position

Unit: NTD Thousands

Item \ Year	2020	2019	Difference	
			Amount	%
Liquid Assets	5,409,457	5,143,310	266,147	5.17
Long-Term Investments	387,805	399,246	(11,441)	(2.87)
Property, Plant and Equipment	11,540,853	10,672,421	868,432	8.14
Other Assets	1,013,060	940,875	72,185	7.67
Total Assets	18,351,175	17,155,852	1,195,323	6.97
Liquid Liabilities	6,426,290	4,843,688	1,582,602	32.67
Non-Liquid Liabilities	5,517,842	5,687,236	(169,394)	(2.98)
Total Liabilities	11,944,132	10,530,924	1,413,208	13.42
Stock Capital	2,545,175	2,549,565	(4,390)	(0.17)
Capital Surplus	1,906,479	1,916,204	(9,725)	(0.51)
Retained Earnings	1,936,020	2,151,043	(215,023)	(10.00)
Other Equities	(35,116)	(48,236)	13,120	(27.20)
Equity Attributable to Owners of the Parent	6,352,558	6,568,576	(216,018)	(3.29)
Non-Controlling Interests	54,485	56,352	(1,867)	(3.31)
Total Shareholders' Equity	6,407,043	6,624,928	(217,885)	(3.29)
Note: Where there is a change with increase/decrease at more than 20% and the amount of such change is more than NTD 10,000,000 shall be analyzed as follows.				
Liquid Liabilities: Increase in long-term borrowings mature within a year.				
Other Equities: Loss resulting from difference in foreign currencies conversion or loss resulting from failure of realizing loss on valuation for financial assets.				

**(II) Financial Performance**

Unit: NTD Thousands

Item \ Year	2020	2019	Increase (Decrease) Amount	Change Proportion (%)
Operating Revenue	5,211,042	5,968,347	(757,305)	(12.69)
Operating Cost	(4,038,224)	(4,295,987)	257,763	(6.00)
Operating Margin	1,172,818	1,672,360	(499,542)	(29.87)
Operating Expense	(776,207)	(853,831)	77,624	(9.09)
Operating Profit	396,611	818,529	(421,918)	(51.55)
Non-Operating Income and Expense	(72,563)	(73,610)	1,047	(1.42)
Income before Tax	324,048	744,919	(420,871)	(56.50)
Income Tax Expense	(38,488)	(91,870)	53,382	(58.11)
Current Net Profit	285,560	653,049	(367,489)	(56.27)
Net Profit Attributable to Owners of the Parent	286,094	649,123	(363,029)	(55.93)
Net Profit Attributable to Non-Controlling Interests	(534)	3,926	(4,460)	(113.60)
<p>Where the increase or decrease ratio reaches 20% or more, such increase/decrease shall be analyzed as follows:</p> <p>Operating Margin: The Company experienced decrease in margin from sale of goods due to the revenue plummeting resulting from global impacts by COVID-19 and higher fixed costs of the Company.</p> <p>Operating Profit: Operating Profit is decreased due to decrease in orders without decrease in costs accordingly.</p> <p>Income before Tax: It is resulted from decrease in profits due to decreased revenue, and the loss through exchange of foreign currencies.</p> <p>Income Tax Expense: It is decreased due to decreased current profits.</p>				

**(III) Cash Flow****1. Analysis on Liquidity of the Most Recent Fiscal Year**

Item \ Year	2020	2019	Increase (Decrease) Proportion (%)
Cash Flow Ratio (%)	17.05	6.44	10.61
Cash Flow Sufficiency ratio (%)	36.39	36.70	(0.31)
Cash Re-Investment Rate (%)	3.83	(3.80)	7.63

## 2. Cash Liquidity for the Coming Fiscal Year

Beginning Cash Balance (1)	Full-Year Net Cash Flow from the Operating Activities (2)	Estimated Full Year Net Cash Flow (3)	Estimated Amount in Cash Balance (Deficit) (1)+(2)-(3)	Unit: NTD Thousands	
				Redemptive Measures for Cash Insufficiency	
				Investment Plans	Financing Plans
268,812	994,521	222,673	1,040,660	-	-

Descriptions:

### (1) Cash Flow Variation in the Coming Fiscal Year (2021)

#### A. Operating Activities

It is estimated that the revenue and profit will continue to grow in 2021, furthermore increasing the net cash flow provided by operating activities.

#### B. Full-Year Cash Uses

- Mainly used in the estimated purchases of machinery for Chiayi 3<sup>rd</sup> Plant.
- Mainly used in distribution of cash dividend for shareholders and directors and employees' compensation. Mainly used in distribution of cash dividend for shareholders and directors and employees' compensation.

(2) Estimated Redemptive Measures in Event of Insufficient Cash and Fluidity Analysis: None.

## (IV) The impact of any material capital expenditures over the most recent fiscal year upon the Company's financial and operating condition:

### 1. Status of Use for Material Capital Expenditures and Source of Capital:

Plan Item	Actual or Estimated Capital Source	Estimated Date of Construction Completion	Total of Capital Required	Unit: NTD Thousands		
				Actual or Expected Status of Use for Capital		
				2021	2022	2023
Intelligent Production Line for Chiayi 3 <sup>rd</sup> Plant	Self-owned Capital or Bank Borrowings	2023	2,450,000	735,000	1,470,000	245,000

### 2. Expectations on Potential Benefits:

Plan Item	Estimates by Year	Operational Items	Production Volume	Sales Volume	Sales	Margin
Intelligent Production Line for Chiayi 3 <sup>rd</sup> Plant	2021	Gears and Transmission Components	769K PCs	725K PCs	623,500	187,050
	2022		2,461K PCs	2,320K PCs	1,995,200	598,560
	2023		3,076K PCs	2,900K PCs	2,494,000	748,200

**(V) The Company's policy for the most recent fiscal year on investments in other companies, the main reasons for profit/losses resulting therefrom, plans for improvement, and investment plans for the coming fiscal year**

Unit: NTD Thousands

Item \ Descriptions	Investment Amount	Policy	Main Reason for Profit (Loss)	Rectification Plan	Other Future Investment Plans
Wuxi Hota Precision Gear Co., Ltd.	165,184	Long-Term Investments	Reason for Loss: Low quantity of Orders	Increase in Orders and Enhancement in Competitiveness	Depending on operation status
HOWON POWERTRAIN CO., LTD.	301,888	Long-Term Investments	Reason for Loss: Low quantity of Orders	Increase in Orders and Enhancement in Competitiveness	
HOWIN PRECISION CO., LTD.	41,450	Long-Term Investments	Reason for Loss: Decrease in orders	Increase in Orders and Enhancement in Competitiveness	
HOTATECH, INC.	173,638	Long-Term Investments	Reason for Profit: Continued development of US Market	-	
Ho-Zuan Investment Co., Ltd.	167,190	Long-Term Investments	Reason for Loss: Decrease in investments	Reinforced Assessment on Investment Targets	
Ju-Da Smart Technology Co., Ltd.	5,000	Long-Term Investments	Reason for Loss: Sporadic Expenses and Expenditure	Saving on Unnecessary Expenditure	
TAIWAN PYROLYSIS & ENERGY REGENERATION CORP.	12,500	Long-Term Investments	-	Impairment Loss Recognized	
CAPTAIN HOLDING CO., LTD	326,073	Long-Term Investments	Reason for Loss: Loss from Investment in Funds	Reinforced Attention to International Exchange Market Changes	
Kao Fong Machinery Co., Ltd.	187,141	Long-Term Investments	Reason for Loss: Decrease in orders	Increase in Orders and Enhancement in Competitiveness	
TAKAWA SEIKI, INC.	3,607	Long-Term Investments	Reason for Profit: Stable growth in orders	-	
Ling-Wei Co., Ltd.	24,413	Long-Term Investments	Reason for Profit: Stable growth in orders	-	

**(VI) Risk Factors Analysis**

- The impact upon the Company's balance sheet of inflation and changes in interest and exchange rates, and the measures the company plans to adopt in response

(1) Interest Rate and Inflation:

The Company is financially sound. In terms of interest rates for bank borrowing, besides strengthening the ties with banks, knowing interest rate trends, and contending for most favorable interest rate terms, the Company also announced on May 3, 2016 and June 3, 2019 that the Company has set forth agreements with consortium banks formed by E-Sun Bank and

Land Bank of Taiwan respectively on syndication loans at NTD 3 Billion and NTD 1 Billion, followed by first disbursements on July 17, 2016 and July 24, 2019. With the rate interval of 1.79%, and a period of three to five years respectively, the fund acquisition and interest rate terms may be deemed as stable; in addition, for the use of short-term idle funds, low-risk bank deposits, financial bonds and funds as adopted as investment targets. Therefore, the increase or decrease of interest rate and inflation has little impact on the Company's profit and loss.

(2) Exchange Rate:

The Company's products are mainly exported, and most of the products sold are denominated in U.S. dollars or Euros; hence, variations to exchange rate have a significant impact on the Company's gains and losses in exchanges. To diminish the impacts on Company's gains and losses by exchange rate variations, the Company has adopted accounts receivable factoring to its certain positions, which refrains the Company from risks of uncollectible accounts receivable meanwhile relatively reduces the risk of exchange rate changes. In addition, the Company's transaction counterparts are financial institutions with good credit, with non-default by the counterparts expected; therefore, possibility of credit risk is extremely small.

2. High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:

(1) The Company does not engage in high-risk investments or highly leveraged investments.

(2) Events of Loaning of Funds to Others by the Company in the Current Fiscal Year:

- A. To assist the subcontractor YUNG-CHIN DEVELOP FORGING CO., LTD. in purchasing equipment, a fund at NTD 2,338 Thousand was loaned from the Company.
- B. To assist the subcontractor Jianli Industrial Co., Ltd. in purchasing equipment, a fund at NTD 6,000 Thousand was loaned from the Company.

(3) Event of Endorsements and Guarantees to Others by the Company in the Current Year:

- A. The subsidiary HOWON POWERTRAIN CO., LTD. was provided with endorsements and guarantees at USD 11,000 Thousand by the Company for its need in operations.
- B. The subsidiary Wuxi Hota Precision Gear Co., Ltd. was provided with endorsements and guarantees at USD 7,000 Thousand by the Company for its repayment of borrowings as needed in operations.

3. Future research and development projects, and expenditures expected in connection therewith:

(1) With the most advanced detecting instrument and a strong R&D team, the Company has the capability to quickly develop products in accordance with customer needs, with the future R&D plans as follows:

- A. Parts and Components for US Automotive Auto Transmission.
- B. Parts and Components for US Automotive Torque Converter.
- C. Parts and Components for New Transmissions of High-End Motorcycles.
- D. Oil Pump Gear for US Industrial Machines.
- E. Parts for Gearboxes of US Agricultural and Construction Machinery.
- F. US Patented Limited-slip Differential.
- G. Parts and Components for European CVTs.
- H. Parts and Components for Air Compressors in Brake Systems for Trucks.
- I. Hobber, shaving machines and chamfering machines.
- J. Various ATV, mobility scooters and medical aid scooters.
- K. Parts and Components for reductive drive of US Electric Cars and their assembly.
- L. Bevel gears, and assembly for bevel gear differentials.
- M. Epicyclic Gearing Sets for Gearbox of Hybrid Cars.
- N. Intelligent Gear Production Integration Technology.
- O. High-Efficiency Powertrain System Assembly for Electric Cars.
- P. Parts and Components for Aeronautics and Space Industry.

(2) It is expected that the Company will contribute to its R&Ds equivalent to 2-5% of the annual net sales in order to improve efficiency and take efforts in shortening the R&D timeline with a view to seize market opportunities firsthand.

4. The impact upon the Company's financial operations of important policy and legal developments at home and abroad, and the measures the Company plans to adopt in response:



In response to the amendments to corporate governance, the Company Act, and Securities and Exchange Act by the competent authority, the Company has cooperated in the process, and there is no significant impact on the financial status of the Company.

5. The impact on the Company's financial operations of developments in science, technology, and industry, and the measures the Company plans to adopt in response:

Extending from the improvement of internet, broadband and wireless communication transmission technologies, the Company may further expand the development of new customers to maximize the Company's profit; owing to the fact that the Company has purchased the state-of-art automation machinery and detecting instruments meanwhile committed to building intelligent production lines; in addition, with its strong R&D team and quick development of products in accordance with customer needs, the Company has established a good brand image in the industry and is favored by European and American customers. Such advantage has benefited the Company financially and business-wise.

6. The impact of changes in the Company's image upon its crisis management, and the measures the Company plans to adopt in response:

The Company has adhered to the management principles of professionalism and ethics, and has attached great importance to corporate image and risk control. There is no foreseeable crisis at the current state.

7. The expected benefits and potential risks of any merger or acquisition, and measures to be adopted in response: No such occurrence in the Company.

8. The expected benefits and potential risks of any plant expansion, and measures to be adopted in response:

The Company's production lines in the Chiayi Plant phases 1 and 2 are near to full load in 2020, and the Chiayi 3rd Plant is expected to be put into production in the H2 2021.

Expected Benefits:

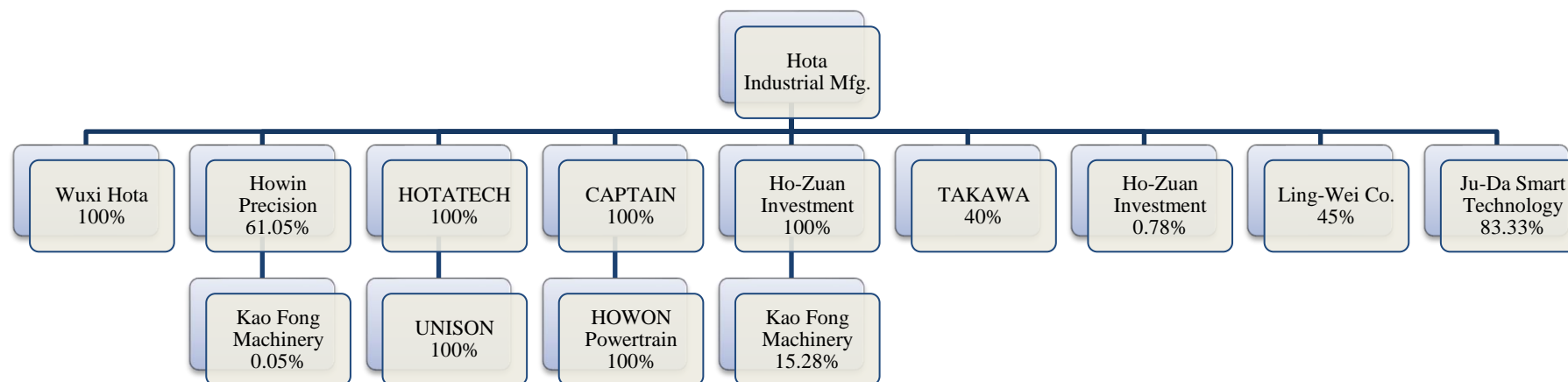
- (1) Faced with strong global demand for automotive parts and components, to seize market opportunities, only by continuously expanding production capacity, introducing new equipment and reducing costs may the Company continue to create greater operating revenue and to gain market share. In recent years, the Company has become a high-profile leading professional manufacturer of automotive transmission parts and components with high profitability.
- (2) Estimated Output: 256,000 pieces (by one new automated production line), it is expected that the expansion will reach the automated production lines at Chiayi Plant 3<sup>rd</sup> phase.
9. The risks associated with any consolidation of sales or purchasing operations, and measures to be adopted in response: No such occurrence in the Company.
10. Effect upon and risk to the company if a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and measures to be adopted in response: No such occurrence in the Company.
11. Impact and risk of change in management right, and the countermeasures thereof: No such occurrence in the Company.
12. For litigious and non-litigious matters, if there has been any material impact upon shareholders' equity or prices for the Company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving a Company director, supervisor, President, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending, this Annual Report shall disclose the facts in dispute, amount in dispute, commencement date, main parties involved, and status of the case as of the date of publication of this Annual Report: No such occurrence in the Company.
13. Other important risks and measures to be adopted in response: No such occurrence in the Company.

**(VII) Any other important matters: None**

## VIII. Special Notes

### (I) Information Regarding Affiliated Companies

#### (1) Organization structure of affiliates



Note: In 2020, the shareholding ratio to Kao Fong Machinery Co., Ltd. by the Company is 16.11%.

#### (2) Affiliate Enterprises Overview

- A. Acquisition or merger of other companies: None
- B. De-merger: None
- C. Re-invested Enterprises: status of the Company's re-invested enterprises as of December 31, 2020 are summarized as follows:
  - a. Related information of the investee companies:

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

TABLE 6

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

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

Note 1 : Investment methods are classified into the following three categories:

- (1)Directly invest in a company in Mainland China.
- (2)Investments through a holding company registered in a third region.
- (3)Others.

Note 2 : Wuxi Hoda Precision gear Company Limited the paid-in capital is US\$6,000,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$5,800,000.

Note 3 : Howon(Whaian)automobile components Company Limited the paid-in capital is US\$10,600,000, accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$10,600,000.

Note 4 : Paid-in capital was converted at the exchange rate of NTD 28.48: USD 1 prevailing on December 31, 2020.

Note 5 : The profit and loss of the Shanghai Development Investment Company is the share of the profit and loss of the subsidiary and the grandson company recognized in the financial statements audited by accountants during the same period.

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

Note 1 : According to the limit stipulated in the letter No. 006130 of the Securities and Futures Commission (90) of the SFC of the Ministry of Finance of the Ministry of Finance on November 16, 2001.

Note 2 : Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020 is US\$16,400,000.

## (3) Financial Condition and Financial Performance of each affiliate enterprise

A. The compiled financial information from main associates of the group is as follows:

	Asset	Liability	Revenue	Income	Shareholding Proportion
Unit: NTD (Thousands)					
<u>December 31, 2020</u>					
Kao Fong Machinery Co., Ltd.	\$4,186,377	\$2,128,351	\$1,389,794	(12,227)	16.11%
Ling-Wei Co., Ltd.	77,627	11,577	42,479	136	45.00%
TAKAWA SEIKI, INC.	8,680	-	-	1,345	40.00%

B. Statements for Portions of Associates and Joint Venture Income Recognized under Equity Method is as follows:

	Income from Investments	
Invested Companies	2020	2019
Kao Fong Machinery Co., Ltd.	\$ (1,968)	\$ (4,356)
Ling-Wei Co., Ltd.	62	3,049
TAKAWA SEIKI, INC.	537	72
	( \$ 1,369 )	( \$ 1,235 )

## (4) Information of Directors, Supervisors and Presidents of Each Affiliate Enterprise

Enterprise Name	Role	Name or Representative
Kao Fong Machinery Co., Ltd.	Chairman	Ho-Zuan Investment Co., Ltd.
	Director	Representative: Sheng, Kuo-Jung
	Director	FAR EAST MACHINERY CO., LTD.
	Director	Representative: Chen, Yu-Cheng
	Director	Hao Qing Investment Ltd.
	Director	Representative: Sun, Yung-Cang
	Director	Chang, Yu-Jeng
	Director	Shen, Chien-Ci
	Director	Huang, Feng-Yih
Ling-Wei Co., Ltd.	Independent Director	Liao, Shu-Zhong
	Independent Director	Kuo, Ming-Xin
	Independent Director	Wang, Fu-Lin
	Chairman	Yung-Chin Develop Forging CO., LTD.
	Director	Representative: Tseng, Shu-Mei
TAKAWA SEIKI, INC.	Director	Yung-Chin Develop Forging CO., LTD.
	Director	Representative: Chien, Yi-Sheng
	Supervisor	Hota Industrial Mfg. Co., Ltd.
	Supervisor	Representative: Chen, Chun-Chih
	Supervisor	Lin, Yen-Huey
	Supervisor	Fang, Rui-Rong
	Chairman	Hota Industrial Mfg. Co., Ltd.
		Representative: Sheng, Kuo-Jung

(5) Consolidated Financial Statements of Affiliate Enterprises: The relevant information has been disclosed in the consolidated business report and consolidated financial statements of affiliate enterprises. Please refer to Pages 81~178.

(II) The status of conducting issuance of securities through private placement: No such occurrence in the Company.

(III) The status of those subsidiaries of the Company who held or disposed of shares of this company during the most recent fiscal year and up to publication date of this Annual Report: No such occurrence in the Company.

(IV) Other necessary items to be supplemented and explained: None.

IX. Any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the company's securities during the most recent fiscal year or the current fiscal year up to the publication date of the Annual Report: No such occurrence in the Company.

Hota Industrial Mfg. Co., Ltd.

Chairman: Sheng, Kuo-Jung

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