



Regular Shareholders' Meeting  
Of the Year 2021  
  
Meeting Manuel

Date of Shareholders' Meeting: June 10, 2021

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## I. Meeting Agenda

Hota Industrial Mfg. Co., Ltd.

### Meeting Agenda of Regular Shareholders' Meeting of Year 2021

Time: AM 9:00, June 10, 2021.

Place: 7F, No. 12, Keya Rd., Daya Dist., Taichung City 428203, Taiwan (R.O.C.)

1. Commencement of Meeting
2. Chairman's Statement
3. Report Items
  - (1) Operation Report of the Year 2020
  - (2) Review Report for the Financial final accounts of the Year 2020 by the Audit Committee
  - (3) Report on Remuneration Distribution for Employees and Directors of the Year 2020
4. Matters for Ratification
  - (1) Ratification for the Financial final accounts of the Year 2020
  - (2) Ratification for the Remuneration Distribution for Employees and Directors of the Year 2020
5. Matters for Discussion
  - (1) Proposal for Cash Distribution from Capital Reserve of the Year 2020
  - (2) Proposal for new provisions of the "Operation procedure for Loans to others" of the Company
  - (3) Proposal for the Amendment of the "Meeting Rules of the Shareholders' Meeting" of the Company
6. Extempore motion
7. Adjournment

## II. Chairman's Statement

Ladies and Gentlemen. Greetings for your coming.

My appreciation to all shareholders for your continuous support to the Company over the years. In recent years, the Company has been working hard towards product differentiation and market segmentation, committed to the development of high unit price, high value-added products, and kept investing continuously in the development of green energy car-related components. The Company has obtained multiple international certifications of IATF16949, ISO14001 and OHSAS18001 as a listed professional transmission system manufacturer. It is also the professional transmission system manufacturer with the highest proportion of parts sold to O.E.M plants in Europe and the United States. As the Company aggressively promotes intelligent automated production and inspection, it optimizes the industrial structure for quality control, labor costs reduction and production efficiency improvement, and also responds to environmental protection, energy conservation and carbon reduction issues, and implements ISO14064 greenhouse gas inventory review and PAS2050 carbon footprint certification. The Company has competitive advantages of the most advanced equipment, strongest R&D capability, and most stable product quality in the domestic automobile and locomotive gear industry. Therefore, it has a significant lead in turnover and production scale. Furthermore, the Company's management can also be implemented in accordance with the Company's business plan setup.

### III. Report Items

#### A. Operation Report of the Year 2020

##### a. 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	—

##### b. 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

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

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

- (1) Differential assembly.
- (2) Automatic and Tiptronic transmission components.
- (3) Torque conversion system parts.
- (4) Planetary gear set of Continuously Variable Transmission (CVT) gearbox.
- (5) Heavy locomotive gearbox and transmission components.
- (6) Gearbox parts for large agricultural machinery.
- (7) Precision mechanical reducer.
- (8) Gear hobbing machine, optical measuring instrument, gear scraping machine, chamfering machine.
- (9) All-Terrain vehicles (ATV) and electric scooters.
- (10) Electric vehicle gearbox components.
- (11) Gear rotation measuring instrument.
- (12) 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:

- (1) American automobile automatic transmission components.
- (2) American automobile torque conversion system components.
- (3) New gearbox components for European high-end heavy locomotives.
- (4) Oil pump gear of American industrial machinery.
- (5) Gearbox parts of American Agricultural and Construction Machinery.
- (6) US patented Limited Slip Differential (LSD).
- (7) European series CVT components.
- (8) Air compressor components for truck brake system
- (9) Gear hobbing machine, gear scraping machine, chamfering machine.
- (10) All kinds of ATVs, electric scooters and medical assistance vehicles.
- (11) American electric vehicle gearbox components and their assembly.
- (12) Bevel gear and bevel gear differential assembly.
- (13) Planetary gear set of hybrid transmission.
- (14) Gear intelligent production integration technology.
- (15) Electric vehicle high-efficiency power transmission system assembly

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

#### 1. Management Guideline:

- (1) 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.

(2) 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.

(3) 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.

(4) 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

- (1) 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.
- (2) 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.
- (3) 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.

- (4) 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:

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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:

- (1) 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.

- (2) 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:  
SHEN, GUO-RONG

General Manager:  
CHEN, JUN-ZHI

Accounting Supervisor  
CHEN, TAI-LIN

B. Review Report for the Financial Statements of the Year 2020 by the Audit Committee.

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

- C. Report on Remuneration Distribution for Employees and Directors of the Year 2020
- a. According to the provisions of the Company Act and the Articles of Incorporation, if the Company makes a profit during the year, the remuneration of employees shall be no less than 2%, and the remuneration of directors shall be no more than 5%.
  - b. This proposal was passed by the board of directors on March 17, 2020, with a remuneration of NT\$6,716,248 for employees and NT\$3,521,250 for directors.
  - c. All the above will be paid in cash

#### IV. Matters for Ratification

- A. Proceedings: Ratification for the financial final accounts of the Year 2020. (Proposed by the board of directors)

Explanation: The Company's consolidated financial statements, individual financial statements, and business reports of the Year 2020 have been prepared, approved by the Company's board of directors, and completely verified by accountants Wu Songyuan and Xu Jianye of PwC Taiwan, reviewed by the Audit Committee, and submitted for ratification. Please refer to Appendix 1 on page 9 to page 35 of this manual.

Resolution:

- B. Proceedings: Ratification of the earning distribution of the Year 2020.

(Proposed by the board of directors)

Explanation:

- (1) The net profit after tax of the Company's business final accounts of the Year 2020 is NT\$286,093,907, and the distribution shall comply with the Company Act and the provisions of Article 27-1 and Article 28 of the Company's Articles of Incorporation.
- (2) The earning distribution proposal is based on the allocation of NT\$234,794,711 from the distributable retained earnings. According to the shareholder's shareholding recorded in the shareholder register on the base date of the distribution, a cash dividend of NT\$0.84 per common share, rounded down below one NT dollar; the total of the abnormal amount is included in the Company's other income.
- (3) If the proposal subsequently affected against the number of outstanding shares due to the purchase of treasury shares, the transfer and cancellation of treasury shares, the exercise of conversion of convertible corporate bonds, and the exercise of employee stock option certificates, etc., and changes the dividend rate of shareholders, the shareholders may fully authorize the chairman of the board to handle after the ratification of the proposal is confirmed.
- (4) After this proposal is ratified by the shareholders' meeting, the chairman may be authorized to set the ex-dividend base date, issuance date, and other related matters.

- (5) The distribution table for the year 2020. Please refer to Appendix 2 on page 36 of this manual.

Resolution:

## V. Matters for Discussion

### A. Proceedings: The cash disbursement from the capital reserve of the Year 2020.

(Proposed by the board of directors)

Explanation:

- (1) The Company intends to distribute cash of NT\$72,674,554 in accordance with Article 241 of the Company Act from a capital reserve in excess of the nominal value of ordinary shares.
- (2) In this capital reserve case, according to the shareholders' shareholdings recorded in the shareholder register on the base date of distribution, the cash dividend of NT\$0.26 per common share, rounded down below one NT dollar; the total of the abnormal amount is included in the Company's other income.
- (3) If the proposal subsequently affected against the number of outstanding shares due to the purchase of treasury shares, the transfer and cancellation of treasury shares, the exercise of conversion of convertible corporate bonds, and the exercise of employee stock option certificates, etc., and changes the dividend rate of shareholders, the shareholders may fully authorize the chairman of the board to handle after the ratification of the proposal is confirmed.
- (4) After this proposal is ratified by the shareholders' meeting, the chairman may be authorized to set the ex-dividend base date, issuance date, and other related matters.

Resolution:

### B. Proceedings: The Company's "Operating Procedures for Loaning Funds to Others" to add some provisions

(Proposed by the board of directors)

Explanations: According to No. 167 document from the Accounting Research and Development Foundation, the Republic of China, the transfer of account receivable from related parties that exceed the normal credit period to other receivables is deemed to a disguised financing issue. If the Company believes that the transfer to other receivables is exactly a capital loan, it should make an announcement in accordance with Article 21 and Article 22 of the processing guidelines when it is determined to be a capital loan. For the additional provisions of the "Procedures for Loaning Funds and Others", please refer to Appendix 3 on page 37 of this manual.

Resolution:

- C. Proposal: Amendments to some provisions of the "Meeting Rules of the Shareholders' Meeting" of the Company.

(Proposed by the board of directors)

Explanations: The Company plans to amend part of the "Meeting Rules of the Shareholders' Meeting" in accordance with the order 1100001446 of the Taiwan Stock Exchange. Please refer to Appendix 4 page 38 to page 43 of this manual.

Resolution:

VI. Extempore motion

VII. Adjournment

## Appendix

(Appendix 1) The Financial Statements of the Year 2020

(Consolidated financial statements)

### Hota Industrial Manufacturing Company Limited

#### REPRESENTATION LETTER

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

Very truly yours,

Hota Industrial Manufacturing Company Limited

By

SHEN, GUO-RONG

Chairman

March 17, 2021

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)

			December 31, 2020		December 31, 2019	
LIABILITIES AND EQUITY		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.

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	Not reclassified to profit or loss Income tax related to items not reclassified to profit or loss	6(30)	( 373)	-	( 4,620)	-
8310	Total not reclassified to profit or loss		<u>21,837</u>	-	<u>( 6,625)</u>	-
	<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)	<u>2,227</u>	-	<u>1,594</u>	-
8360	<b>Total Items that may be reclassified to profit and loss</b>		<u>79</u>	-	<u>( 509)</u>	-
8300	<b>Other comprehensive net gains/losses</b>		<u>\$ 21,916</u>	-	<u>(\$ 7,134)</u>	-
8500	<b>Total comprehensive gains/losses</b>		<u>\$ 308,010</u>	<u>6</u>	<u>\$ 641,989</u>	<u>11</u>
	Basic earnings per share					
9750	Total basic earnings per share	6(31)	<u>\$ 1.12</u>		<u>\$ 2.55</u>	
	Diluted earnings per share					
9850	Total Diluted earnings per share	6(31)	<u>\$ 1.12</u>		<u>\$ 2.54</u>	

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		
N o t e s										
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	6(22)	-	-	-	-	18,381	( 16,112 )	( 9,403 )	-	( 7,134 )
Total comprehensive income		-	-	-	-	667,504	( 16,112 )	( 9,403 )	-	641,989
Earnings distribution and allocation 2018	6(21)	-	-	-	-	-	-	-	-	-
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	6(22)	-	-	-	-	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	6(22)	-	-	-	-	1,360	( 10,242 )	30,798	-	21,916
Total comprehensive income		-	-	-	-	287,454	( 10,242 )	30,798	-	308,010
Earnings distribution and allocation 2019	6(21)	-	-	-	-	-	-	-	-	-
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	6(18)(20)	-	20,895	-	-	-	-	-	-	20,895
Dispose of equity instruments measured at fair value through other comprehensive gains and losses	6(22)	-	-	-	-	7,436	-	( 7,436 )	-	-
Repurchase Treasury stock	6(19)	-	-	-	-	-	-	-	( 35,010 )	( 35,010 )
Logout Treasury stock	6(19)(20)	( 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 MFG. Co., Ltd.**  
**Earning Distribution statement of the year 2020**

Unit: New Taiwan Dollar

Item	Amount	Remark
Unappropriated retained earnings at beginning of period	932,732,601	
Remeasurement of Defined benefit plans	1,360,130	
Sale of Equity Instrument at fair value through other comprehensive income.	7,436,105	
Net Profit of year 2020	286,093,907	
Unappropriated retained earnings, Total	1,227,622,743	
Legal Reserve (10%)	(29,489,014)	
Special Reserve	—	
Total retained earnings	1,198,133,729	
Current Distribution Items		
Cash Dividend (NTD 0.84 per share)	(234,794,711)	
Stock Dividend (NTD 0.0 per share)	—	
Current Distribution		
Unappropriated retained earnings at end of period	963,339,018	
<p>1. The Company's earnings distribution policy adopts the priority to allocate the earnings of the year 2020, if insufficient shall be compensated by the surplus of previous years on the first-in-first-out principle.</p> <p>2. The ex-right/ex-dividend rate is calculated based on the total number of shares issued and outstanding 279,517,513 shares; the actual allotment amount per thousand shares is calculated based on the actual number of shares issued and outstanding on the ex-rights/ex-dividend base date. In the case of this earnings distribution proposal, if the number of distributable shares of the Company's common shares has changed [reason for the change: It is the number of converted shares of convertible corporate bonds, or convertible special shares, or employee stock option], the shareholders' ex-right / ex-dividend ratio changes and need modification, shareholders' meeting is proposed to authorize the board of directors to deal with it.</p>		

Chairman of the Board:

SHEN, GUO-RONG

General Manager:

CHEN, JUN-ZHI

Accounting Supervisor

CHEN, TAI-LIN

(Appendix 3) Comparison table of the “Operating Procedures for Loaning Funds to Others” Before and After version

Articles after Amendment	Articles before Amendment	Explanation
<p><b>Article 13</b>  <b>Relevant judgments and operating regulations for other attributable financing:</b></p> <ol style="list-style-type: none"> <li>1. When the Company's money is in the following circumstances, it should be judged whether it is a capital loan. <ol style="list-style-type: none"> <li>1.1. If the Company's accounts receivable (counterparty including related parties and non-related parties) exceed the normal credit period of 3 months and the amount exceeds 2% of the Company's consolidated net value, it should be proposed to the board of directors at least quarterly for the resolution whether it is a capital loan. Except that it can prove that the Company does not have any intention to financing (such as taking legal actions, proposing specific and feasible control measures, etc.), it should be treated as capital loans.</li> <li>1.2. The payment from the Company's non-normal business activities, if the amount exceeds 2% of the Company's net value, and the payment does not have a contractual relationship, or the payment amount does not match the contractual obligations, or the reason for the payment disappears, etc. has not been retrieved more than 3 months, it shall be handled in accordance with the above regulations.</li> </ol> </li> <li>2. When a capital loan recognized by the Company and the balance exceeds the limit due to the above-regulations, the improvement plan shall be formulated and executed, and the improvement plan shall be submitted to the Audit Committee.</li> </ol>	<p>None.</p>	<ol style="list-style-type: none"> <li>1. This article is newly added.</li> <li>2. Add relevant judgments and operating regulations for other attributable financing.</li> </ol>

(Appendix 4) Comparison table of the “Meeting Rules of the Shareholders’ Meeting” Before and After version

Articles after Amendment	Articles before Amendment	Explanation
<p>Article 1:</p> <p>In order to establish a good governance system, improve supervision functions, and reinforce management functions for the shareholders' meeting of the Company, these rules have been formulated in accordance with Article 5 of “Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.” The shareholders’ meeting of the Company shall follow the provisions of these rules unless otherwise regulated by laws, regulations, or the Articles of Incorporation.</p>	<p>Article 1:</p> <p>The shareholders’ meeting of the Company shall be executed by the provisions of these rules unless otherwise regulated by laws or regulations.</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>
<p>Article 2:</p> <p>Unless otherwise provided by law or regulation, the Company's shareholders meetings shall be convened by the board of directors.</p> <p>The Company shall prepare electronic versions of the shareholders meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of a regular shareholders meeting or before 15 days before the date of a special shareholders meeting. The Company shall prepare electronic versions of the shareholders meeting agenda and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the regular shareholders meeting or before 15 days before the date of the special</p>		<p>Adjusted with No. 1090009468 announcement of the TWSE.</p>

Articles after Amendment	Articles before Amendment	Explanation
<p>shareholders meeting. In addition, before 15 days before the date of the shareholders meeting, the Company shall also have prepared the shareholders meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at the Company and the professional shareholder services agent designated thereby as well as being distributed on-site at the meeting place.</p> <p>The reasons for convening a shareholders meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.</p> <p>Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the Company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motion.</p> <p>Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons</p>		

Articles after Amendment	Articles before Amendment	Explanation
<p>for convening the shareholders meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.</p> <p>A shareholder holding one percent or more of the total number of issued shares may submit to the Company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation for urging the corporation to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.</p> <p>Prior to the book closure date before a regular shareholders meeting is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.</p> <p>Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular</p>		

Articles after Amendment	Articles before Amendment	Explanation
<p>shareholders meeting and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders meeting, the Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders meeting the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.</p>		
<p>Article 3:</p> <p>For each shareholders meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by the Company and stating the scope of the proxy's authorization.</p> <p>A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders meeting, and shall deliver the proxy form to the Company before five days before the date of the shareholders meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment.</p> <p>After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</p>		Adjusted with the amendment to the rules of the shareholders meeting
<p>Article 4:</p> <p>The venue for a shareholders meeting shall</p>	<p>Article 4:</p> <p>The venue for a shareholders meeting shall</p>	Adjusted with the

Articles after Amendment	Articles before Amendment	Explanation
<p>be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. <b>Full consideration shall be given to the opinions of the independent directors with respect to the place and time of the meeting.</b></p>	<p>be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.</p>	<p>amendment to the rules of the shareholders meeting</p>
<p><b>Article 5:</b></p> <p>The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. (omit ...)</p> <p>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. (omit ...)</p>	<p><b>Article 2:</b></p> <p>The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. (omit ...)</p> <p><del>Shares of attendant shareholders is— calculated by the attendance book or sign-in cards handed in.—</del></p> <p>The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. (omit ...)</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>
<p><b>Article 6:</b></p> <p>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the</p>	<p><b>Article 5:</b></p> <p>If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. <del>It is advisable that the meeting is attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance— shall be recorded in the meeting minutes.—</del></p> <p>When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>



Articles after Amendment	Articles before Amendment	Explanation
<p>directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.</p> <p>(omit ...)</p> <p>It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee. The attendance shall be recorded in the meeting minutes.</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.</p> <p>The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</p>	<p>or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.</p> <p>(omit ...)</p> <p>If a shareholders meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting.</p> <p><del>Article 6:</del></p> <p>The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.</p>	
<p><del>Article 8:</del></p> <p>Attendance at shareholders meetings shall be calculated based on numbers of shares. The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in plus the number of</p>	<p><del>Article 3:</del></p> <p>Attendance at shareholders meetings shall be calculated based on numbers of shares.</p>	<p>Adjusted with No. 1090009468 announcement of the TWSE.</p>

Articles after Amendment	Articles before Amendment	Explanation
<p>shares whose voting rights are exercised by correspondence or electronically.</p> <p>The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting.</p> <p>However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.</p> <p>If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders meeting shall be convened within one month.</p> <p>(omit ...)</p>	<p><del>Article 8:</del></p> <p>The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.</p> <p>(omit ...)</p>	
<p>Article 9:</p> <p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The</p>	<p>Article 9:</p> <p>If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>

Articles after Amendment	Articles before Amendment	Explanation
<p>meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting.</p> <p>(omit ...)</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p><b>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders;</b> when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, <b>and schedule sufficient time for voting.</b></p>	<p>(omit ...)</p> <p>The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.</p> <p><del>After the adjournment of the meeting, shareholders shall not elect another chairman to continue the meeting at the original location or in another place.</del> If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.</p> <p><b>Article 14:</b></p> <p>When the chair is of the opinion that a proposal has been <del>discussed</del> sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote.</p>	
<p>Article 10:</p> <p>Before speaking, an attending shareholder (omit ...)</p> <p><b>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</b></p>	<p>Article 10:</p> <p>Before speaking, an attending shareholder (omit ...)</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>

Articles after Amendment	Articles before Amendment	Explanation
<p>Article 11:</p> <p>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. <b>If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</b></p>	<p>Article 11:</p> <p>Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.</p>	Adjusted with the amendment to the rules of the shareholders meeting
<p>Article 12:</p> <p>When a corporate shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p>	<p>Article 12:</p> <p><del>When a corporate shareholder is entrusted to attend the shareholders' meeting, only one representative can be assigned to attend the shareholders' meeting.</del></p> <p>When a corporate shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.</p>	Adjusted with the amendment to the rules of the shareholders meeting
<p><b>Article 14:</b></p> <p>Voting at a shareholders meeting shall be calculated based the number of shares.</p> <p><b>With respect to resolutions of shareholders meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.</b></p> <p><b>When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</b></p> <p><b>The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</b></p> <p><b>With the exception of a trust</b></p>	<p><b>Article 3:</b></p> <p>Voting at a shareholders meeting shall be calculated based the number of shares.</p>	Adjusted with the amendment to the rules of the shareholders meeting

Articles after Amendment	Articles before Amendment	Explanation
<p>enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.</p>		
<p>Article 15:</p> <p>A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.</p> <p>When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting; it is therefore advisable that the Company avoid the submission of extraordinary motions and amendments to original proposals.</p> <p>A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company before two days before the date of the</p>	<p>Article 15:</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>

Articles after Amendment	Articles before Amendment	Explanation
<p>shareholders meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail, except when a declaration is made to cancel the earlier declaration of intent.</p> <p>After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders meeting, the voting rights exercised by the proxy in the meeting shall prevail.</p> <p>Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the</p>	<p><del>Article 17:</del></p> <p>Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the</p>	



Articles after Amendment	Articles before Amendment	Explanation
	accordance with Article 182 of the Company Act.	
<p><b>Article 17:</b> The election of directors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, <b>including the names of those elected as directors and the numbers of votes with which they were elected, and the names of directors and supervisors not elected and number of votes they received.</b></p> <p><b>The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.</b></p>	<p><b>Article 15, Item 3:</b> The election of directors <del>or supervisors</del> at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors <del>and supervisors</del> and the numbers of votes with which they were elected.</p>	Adjusted with No. 1090009468 announcement of the TWSE.
<p><b>Article 18:</b> <b>Matters relating to the resolutions of a shareholders meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may be produced and distributed in electronic form.</b></p> <p><b>The Company may distribute the meeting minutes of the preceding paragraph by means of a public announcement made through the MOPS.</b></p> <p><b>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the</b></p>		Adjusted with the amendment to the rules of the shareholders meeting



Articles after Amendment	Articles before Amendment	Explanation
<p>deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the Company.</p>		
<p>Article 19:</p> <p>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</p> <p>The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p> <p>At the place of a shareholders meeting, if a shareholder attempts to speak through any device other than the public address equipment set up by the Company, the chair may prevent the shareholder from so doing.</p> <p>When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.</p>	<p>Article 19:</p> <p><del>Article 6, Item 2:</del></p> <p>Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.</p> <p>The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."</p>	<p>Adjusted with the amendment to the rules of the shareholders meeting</p>
<p>Article 20:</p> <p>On the day of a shareholders meeting, the Company shall compile in the prescribed format a statistical statement of the number of shares obtained by solicitors through solicitation and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the shareholders meeting.</p> <p>If matters put to a resolution at a</p>		<p>Adjusted with the amendment to the rules of the shareholders meeting</p>

Articles after Amendment	Articles before Amendment	Explanation
shareholders meeting constitute material information under applicable laws or regulations or under Taiwan Stock Exchange Corporation (or GreTai Securities Market) regulations, the Company shall upload the content of such resolution to the MOPS within the prescribed time period.		
<p>Article 22:            These Rules shall take effect after having been approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.            The first amendment is made on June 18, 2013.            The second amendment is made on June 11, 2015.            The third amendment is made on June 10, 2021.</p>	<p>Article 22:            These Rules shall take effect after having been approved by a shareholders meeting. Subsequent amendments thereto shall be effected in the same manner.            The first amendment is made on June 18, 2013.            The second amendment is made on June 11, 2015.</p>	Adjusted with the amendment to the rules of the shareholders meeting

**Hota Industrial MFG. Co., Ltd.**  
**Articles of Incorporation**

**Chapter 1 General Provisions**

- Article 1: The Company shall be incorporated under the Company Act of the Republic of China, and its name shall be Hota Industrial MFG. Co., Ltd.
- Article 2: The scope of business of the Company shall be as follows:
1. CD01990 Other Transport Equipment and Parts Manufacturing
  2. CB01010 Mechanical Equipment Manufacturing
  3. CB01990 Other Machinery Manufacturing
  4. CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
  5. CD01040 Motorcycles and Parts Manufacturing
  6. CD01050 Bicycles and Parts Manufacturing
  7. CD01030 Motor Vehicles and Parts Manufacturing
  8. CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
  9. CC01080 Electronics Components Manufacturing
  10. F106010 Wholesale of Hardware
  11. F206010 Retail Sale of Hardware
  12. F111090 Wholesale of Building Materials
  13. F211010 Retail Sale of Building Materials
  14. F401010 International Trade
  15. CF01011 Medical Devices Manufacturing
  16. F108031 Wholesale of Medical Devices
  17. F208031 Retail Sale of Medical Apparatus
  18. Z999999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article 2-1: Due to business needs, the Company may handle endorsement and guarantee matters in accordance with the Company's Operating procedures for endorsement and guarantee.
- Article 3: The Company is headquartered in Taichung City, Taiwan, and when necessary may establish branches or subsidiaries at home and abroad according to resolutions by the board of directors.

**Chapter 2 Shares**

- Article 4: Total capital amount for the Company is set at NT\$ 3,500 million dollars which are divided into 350 million shares, with NT\$ 10 dollars per share. The

board of directors' meeting is hereby authorized to issue these shares in separate batches. The shares issued by the Company may be exempted from printing stocks, and shall be registered with the securities centralized custodial institution, and special shares may be issued within the aforementioned total amount of shares.

Article 4-1: With shareholders representing more than half of total shares issued attending shareholder's meeting as well as consent by more than two thirds of voting rights from attending shareholders, the Company may therefore assign shares to employees at prices lower than the actual average price of shares buy back.

Article 4-2: The Company may issue special shares less or equal than 150 million shares. The rights and obligations of the Company's special shares and other important issuance conditions are as follows:

1. If there is a surplus in the Company's annual financial statements, the earning shall by sequence pay taxes, make up for previous losses, withdraw 10% legal reserve, add undistributed earning as the cumulative undistributed earnings. After adjustment of withdrawing or reversing by laws and regulations, and deduct proper earning for reservation, if there is still a balance, the special shares may be given priority to distribute the dividends for the current year.
2. Special dividends are capped at an annual rate of 8%.
3. Special share dividends are calculated based on the actual issuance price. After the annual shareholders meeting recognizes the final financial statements, the board of directors sets the special dividend ex-dividend baseline date, and pays the special dividends of the previous year in cash. Special share dividends of the Year of issuance are calculated by actual number of issuance days in a year, and the base day of capital raising is set as the issuance date.
4. If the Company has no surplus or insufficient surplus in the Company's annual final accounts for special share dividends distribution, the undistributed or under-distributed dividends will be accumulated and deferred in future years with surplus.
5. The dividend baseline date, issuance and conversion method and other related matters of the special shares are authorized to the board of directors to determine in accordance with the Company Act and the regulations of the securities authority.
6. After three years from the delivery date of the special shares, the Company can redeem 50% of the special shares at a lump sum in cash at the issue price.
7. The issuance period of the special share is five years. The Company compulsory converts the outstanding special shares

into common shares on the expiry date. After the special shares are converted into common shares in accordance with this provision, the Company will accumulate unpaid dividends, except as otherwise followed by the laws and regulations, and compensate in cash.

8. If the special shares have been converted into common shares before the ex-right (ex-dividend) base date, the common shares participate in the conversion of the current year's shareholders' meeting resolutions related to the previous year's earnings and capital distribution but waive special dividends for the previous year. If the special shares are converted into common shares after the ex-right (ex-dividend) base date, they shall participate in the conversion of the current year's shareholders' meeting resolutions to distribute the special dividends of the previous year, and no longer participate in the conversion of common shares related to the previous year's earnings and capital reserve distribution. In the year of conversion, the special dividends of the current year are not allowed, but they can participate in the distribution of earnings and the capital reserve of common shares for the current year. Special dividends and ordinary dividends (interests) in the same year are based on the principle of non-repetitive distribution.
9. The special shares shall not participate in the distribution of earnings and capital reserve of common shares except for receiving special dividends.
10. The distribution of the Company's residual assets by the special shares takes precedence over the common shares, but it does not exceed the amount of the special shares issued.
11. Special shares shareholders have no voting rights and electing rights in the common shares shareholders' meeting, but they may be elected as directors.
12. When the Company issues new shares in cash, special shares, and common shares shareholders have the same preferred stock options.

Article 5: The total number of reinvestments of the Company is not subject to the restriction of Article 13 of the Company Act that the reinvestment shall not exceed 40% of the paid-in capital.

Article 6: The Company's share affairs are handled in accordance with the "Regulations Governing the Administration of Shareholder Services of Public Companies" issued by the competent authority.

Article 7: The entries in the shareholders' register shall not be altered within 30 days

prior to the convening date of a regular shareholders' meeting, or within 15 days prior to the convening date of a special shareholders' meeting, or within 5 days prior to the target date fixed by the issuing company for distribution of dividends, bonus or other benefits.

### **Chapter 3 Shareholders' meeting**

- Article 8: The Company's shareholders' meeting has two types:
1. The regular shareholders' meeting shall be held within six months after the end of each fiscal year.
  2. The extraordinary shareholders' meeting shall be convened in accordance with relevant laws and regulations when necessary.
- Article 9: When a shareholder is unable to attend the shareholders' meeting for some reason, in accordance with Article 177 of the Company Act, the shareholder may issue a proxy letter and entrust a representative to attend the meeting.
- Article 10: The meeting shall be chaired by the chairperson of the board. When the chairperson of the board is on leave, the vice chairperson shall act in place of the chairperson; if the vice chairperson also is on leave, the chairperson shall appoint one of the managing directors to act as chair; if the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as chair.
- Article 11: Resolutions at a shareholders' meeting shall, unless otherwise provided for in this Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares. At the time of voting, if there is no objection after consultation by the chairman of the shareholders present, it shall be deemed as passed, and its effect shall be the same as the voting.
- Article 11-1: When the Company holds a shareholder meeting, it shall adopt exercise of voting rights by electronic means and by writing. A shareholder exercising voting rights by writing or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting in according to Article 177-2 of the Company Act.
- Article 12: Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all shareholders of the Company within twenty (20) days after the close of the meeting. The minutes of shareholders' meeting shall record the date and place of the meeting, the name of the chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The attendance list bearing the signatures of shareholders present at the meeting and the proxies shall be kept by the Company for check. The dissemination of

the meeting minute shall be done by way of public announcement.

## **Chapter 4 Directors**

Article 13: The board of directors of the Company have 9 to 13 directors who shall be elected by the shareholders' meeting from among the persons with disposing capacity. The term of office of a director is three years and he/she may be eligible for re-election. The total number of shares held by all directors shall not be less than a certain percentage of the total issued shares of the Company, and the percentage shall be in accordance with the regulations of the competent authority. The Company shall appoint independent directors within the number of directors. They shall be not less than three in number and not less than one-fifth of the total number of directors.

Article 13-1: The election and appointment of the Company's directors (including independent directors) are in accordance with the nomination system stipulated in Article 192 of the Company Act. The shareholders' meeting shall elect directors from the list of director candidates. The matters that independent directors should follow shall be handled in accordance with the Company Act, the Securities Exchange Act, and the regulations of the securities authorities.

Article 13-2: For the purpose of developing supervisory functions and strengthening management mechanisms, the board of directors may set up functional committees in which the numbers of members, terms of office, and powers of committee members, as well as the related rules shall be defined by the board of directors and complied with related laws and regulations.

The Company shall establish an audit committee to replace supervisors. The audit committee shall be composed of the entire number of independent directors, not be fewer than three persons in number, one of whom shall be convener, and set forth in accordance with the Company Act, the Securities Exchange Act, and other rules and regulations for supervisors.

Article 13-3: The remuneration and the traffic expenses of the directors of the Company shall be evaluated by the Salary and Compensation Committee on the value of their participation in and contribution to the operation of the Company. The Board of Directors shall be authorized to make decisions based on the evaluation of the Salary and Compensation Committee and with reference to domestic and foreign industry standards. To enhance corporate management, the Company shall take out directors and important members' liability insurance with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk to the Company and shareholders arising from their wrongdoings or negligence. The insured amount of the liability insurance taken out shall authorize the board of directors to deal with.

- Article 14: When the number of directors falls short by one-third of the total number of directors, or the discharge of all independent directors, the Company shall convene a shareholders meeting within 60 days of the occurrence of that fact for a by-election for director(s).
- Article 15: When a director's term of office expires and is not in time for re-election, his executive duties shall be extended until the re-elected director takes office.
- Article 16: The board of directors shall elect a Chairman and a Vice Chairman from among the directors by a majority vote at a meeting attended by over two-thirds of the directors. The Chairman shall externally represent the Company.
- Article 17: Meetings of the board of directors shall be convened by the chairman, except for other regulations of the Company Act. In calling a meeting of the board of directors, a notice shall be given to each director, by means of documents, electronic mails, or facsimile, no later than seven (7) days prior to the scheduled meeting date. In the case of an emergency, a meeting of the board of directors may be convened at any time. Unless otherwise provided for the Company Act, resolutions of the Board of Directors shall be adopted by a majority of the directors at a meeting attended by a majority of the directors. If a director could not attend the meeting, he/she shall issue a written proxy and state therein the scope of authority with reference to the subjects to be discussed at the meeting. A director may accept the appointment to act as the proxy of one other director only.
- Article 18: In case the chairman of the board of directors can not exercise his duty, the vice-chairman shall act on his behalf. In case the vice-chairman is also unable to exercise his duty, the Chairman of the board of directors shall designate one of the directors to act on his behalf, or where there is no director designated, one of the directors recommended among directors to act on his behalf.
- Article 19: The duties of the board of directors are as follows:
1. The formulation of the Company's operating policy.
  2. Review of mid-term and long-term development plans.
  3. Review and implementation of the annual business plan.
  4. Review of budget and final accounts.
  5. Review of the plan for capital increase or decrease.
  6. Review of important external contracts.
  7. Deliberation on the amendments to the Articles of Incorporation of the Company.
  8. Approval of the Company organization charter rules, working rules, and important business operation procedures.
  9. The establishment, alteration, or cancellation of subsidiary or branch office.
  10. Approval of major capital expenditures.



11. Recruitment and dismissal of managers.
12. Ratification for review items submitted by the General Manager.
13. Other matters prescribed by law.

- Article 20: Resolutions adopted at a meeting of the Board of Directors shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chairman of the meeting and shall be distributed to all directors of the Company within twenty (20) days after the close of the meeting. The attendance list bearing the signatures of directors present at the meeting and the proxies shall be kept by the Company.
- Article 21: Deleted.
- Article 22: Deleted.

## **Chapter 5 Managers and Employees**

- Article 23: The Company may appoint a manager (including the General Manager) whose appointment, dismissal, and remuneration shall be made by the Board of Directors with a majority of the directors present and a resolution approved by a majority of the directors present. The manager should have a domicile or residence domestically.
- Article 24: The Company may hire consultants and important staff upon the resolutions by the Board of Directors with a majority of the directors present and a resolution approved by a majority of the directors present.
- Article 25: Other employees of the Company shall be submitted by the General Manager to the Chairman of the board for approval.

## **Chapter 6 Accounting**

- Article 26: According to Article 228 of the Company Act, at the close of each fiscal year, the Board of Directors shall prepare the following statements and records and shall forward the same to the Audit Committee for their review, not later than the 30th day before the meeting date of a Regular shareholders' meeting:
1. The business report;
  2. The financial statements; and
  3. The surplus earning distribution or deficit off-setting proposals.
- Article 27: If the Company makes annual profits, it shall allocate no less than 2% for employee remuneration and no more than 5% for directors' remuneration, the board of directors shall decide to distribute in stocks or in cash, and the distribution targets for employee remuneration include employees of affiliated companies who meet certain conditions. However, when the Company still has accumulated losses, it shall reserve the number of earnings in advance, and then allocate employee remuneration and director remuneration in proportion to the preceding paragraph.

Article 27-1: If there is a surplus in the Company's annual financial statements, the earning shall by sequence pay taxes, make up for previous losses, withdraw 10% legal reserve, except the legal reserve has reached the paid-in capital. After the special reserve is withdrawn or reversed in accordance with the law, the "dividend of special shares should be distributed in priority in the current year, and the accumulated undistributed dividends in previous years". If there is still a surplus, the balance will be added to the undistributed retained earnings of the previous year for the Board of Directors to draft an Earning Distribution proposal and submit it to the shareholders meeting for resolution.

## **Chapter 7 Supplementary Provisions**

Article 28: The Company's dividend policy shall proceed in the following: the Company considers the capital needs of the industry, improves the financial structure, as well as the business growth. The Company's Board of Directors considers the profitability and the business requirements, and proposes an earnings distribution plan, and submits it to shareholders' meeting for ratification. In the earning distribution plan proposed by the board of directors, the total amount of shareholders' dividends should be between 30% and 80% of the current year's distributable retained earnings, and the dividend paid in cash should not be less than 20% of the total amount of shareholders' dividends.

Article 29: Matters not stipulated in this Articles of Incorporation shall be handled in compliance with the Company Act and other laws and regulations.

Article 30: This Article of Incorporation was set up on October 17, 1972. The first amendment was on November 20, 1972; the second amendment was made on December 18, 1972; the third amendment was made on May 5, 1973; the fourth amendment was made on July 14, 1973; the fifth amendment was made on September 19, 1974; the sixth amendment was made on April 26, 1975; the seventh amendment was made on November 25, 1975; the eighth amendment was made on August 17, 1977; the ninth amendment was made on May 23, 1981; the tenth amendment was made on January 8, 1983; the eleventh amendment was made on October 24, 1990; the 12th amendment was made on August 1, 1991; the 13th amendment was made on January 14, 1992; the 14th was made on May 22, 1996; the 15th amendment was made on June 30th, 1996; the 16th amendment was made on May 14, 1997; the 17th amendment was made on December 15, 1997; the 18th amendment was made on May 8, 1998; the 19th amendment was made on June 16, 1999; the 20th amendment was made on May 18, 2000; the 21st amendment was made on May 18, 2000; the 22nd amendment was made on July 24, 2001; the 23rd amendment was made on June 20, 2002; the 24th amendment was made on June 6, 2003; the 25th amendment was made on June 6, 2003; the 26th amendment was made on April 28th, 2004; the 27th amendment was made on

April 28th, 2004; the 28th amendment was made on June 22, 2005; the 29th amendment was made on May 17, 2006; the 30th amendment was made on May 23, 2007; the 31st amendment was made on June 25, 2008; the 32nd amendment was made on January 22, 2009; the 33rd amendment was made on January 27, 2010; the 34th amendment was made on June 29, 2010; the 35th amendment was made on May 30, 2011; the 36th amendment was made on June 6, 2012; the 37th amendment was made on June 18, 2013, the 38th amendment was made on June 12, 2014; the 39th amendment was made on June 11, 2015; the 40th amendment was made on June 23, 2016; the 41st amendment was made on June 14, 2017; the 42nd amendment was made on June 12, 2018; the 43rd amendment was made on June 10, 2020.

Hota Industrial MFG. Co., Ltd.

Chairman of the Board: SHEN, GUO-RONG

## Hota Industrial MFG. Co., Ltd.

### Rules of Shareholders' Meeting

Amended on June 11, 2015

1. Unless otherwise provided by law or regulation, the Company's shareholders' meetings shall be complied by this Rules.
2. The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

Shares of attendance are calculated by the attendance book and handed sign-in cards.

The Company shall furnish attending shareholders with the meeting agenda book, annual report, attendance card, speaker's slips, voting slips, and other meeting materials.

Where there is an election of directors or supervisors, pre-printed ballots shall also be furnished. When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting. When the government or a juristic person is a shareholder, it may be represented by more than one representative at a shareholders meeting.
3. Attendance at shareholders meetings shall be calculated based on numbers of shares.
4. The venue for a shareholders meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders meeting. The meeting may begin no earlier than 9 am and no later than 3 pm.
5. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. It is advisable that shareholders meetings convened by the board of directors be chaired by the chairperson of the board in person and attended by a majority of the directors, at least one supervisor in person, and at least one member of each functional committee on behalf of the committee, and record the attendance in the meeting's minute.

When the chairperson of the board is on leave or for any reason unable to exercise the powers of the chairperson, the vice chairperson shall act in place of the chairperson; if there is no vice chairperson or the vice chairperson also is on leave or for any reason unable to exercise the powers of the vice chairperson, the chairperson shall appoint one of the managing directors to act as chair, or, if there are no managing directors, one of the directors shall be appointed to act as chair. Where the chairperson does not make such a designation, the managing directors or the directors shall select from among themselves one person to serve as chair.

When a managing director or a director serves as chair, as referred to in the preceding paragraph, the managing director or director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall be true for a representative of a juristic person director that serves as chair.

If the meeting is convened by other convening power holders other than the board of directors, the chairman shall be held by the convening power holder.

6. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity.  
Staff handling administrative affairs of a shareholders meeting shall wear identification cards or arm bands.
7. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures.  
The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.
8. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.  
When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders meeting pursuant to Article 174 of the Company Act.
9. If a shareholders meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders meeting. The provisions of the preceding paragraph apply mutatis mutandis to a shareholders meeting convened by a party with the power to convene that is not the board of directors.  
The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders meeting.  
After the adjournment of the meeting, shareholders shall not elect another chairman to continue the meeting at the original location or in another place.  
If the chair declares the meeting adjourned in violation of the rules of procedure, a new chair in accordance with statutory procedures by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.
10. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.  
A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.  
When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.
11. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.
12. When a corporate shareholder is entrusted to attend the shareholders' meeting, only one representative can be appointed to attend. When a juristic person shareholder appoints two or more representatives to attend a shareholders meeting, only one of the representatives so appointed may speak on the same proposal.
13. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.
14. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote.
15. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.  
Vote counting for shareholders meeting proposals or elections shall be conducted in public at

the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote. The election of directors or supervisors at a shareholders meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and supervisors and the numbers of votes with which they were elected.

16. When a meeting is in progress, the chair may announce a break based on time considerations.
17. Except as otherwise provided in the Company Act and in the Company's articles of incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

If there is no objection after consultation by the chair of meeting, it shall be deemed passed, and its effect shall be the same as that of voting.
18. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote.

When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
19. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
20. When the shareholders' meeting cannot proceed with the agenda for some reason, the chairman of the current shareholders' meeting shall be authorized to postpone or continue the meeting within five days by the resolution of the shareholders' meeting in accordance with Article 182 of the Company Act.
21. Matters not stipulated in this rules shall be handled in accordance with the Company Act, the Company's Articles of Incorporation and other relevant laws and regulations.
22. These rules will be implemented after being approved by the shareholders' meeting, and the same applies when they are revised. The first amendment was made on June 18, 2013. The second amendment was made on June 11, 2015.

## (Appendix 7) Shareholding of all Directors

## Hota Industrial MFG. Co., Ltd.

Shareholding of all Directors: As of the book closure date, the number of shares held by individual and all directors recorded in the shareholder register is as follows:

The book closure date: April 8, 2021

Title	Name	Appointment Date	Term of Office	Shares held when appointed		Shares held on the book closure date	
				Shares	Ratio %	Shares	Ratio %
Chairman	SHEN, GUO-RONG	109.6.10	3	3,977,067	1.56	3,957,867	1.42
Director	LIN, YAN-HUI	109.6.10	3	3,541,292	1.39	3,802,174	1.36
Director	LIN, MEI-YU	109.6.10	3	3,192,000	1.25	3,300,000	1.18
Director	HUANG, FENG-YI	109.6.10	3	1,819,000	0.71	1,968,000	0.70
Director	WANG, HUI-E	109.6.10	3	800,000	0.31	791,272	0.28
Director	CAI, YU-KONG	109.6.10	3	933,364	0.37	930,000	0.33
Director	Zhong-Bu Investment Representative: ZHANG, YU-ZHENG	109.6.10	3	10,625,475	4.17	11,985,241	4.29
Director	Zhong-Bu Investment Representative: LIN, YUE-HONG	109.6.17	3	* 10,625,475	* 4.17	* 11,985,241	* 4.29
Director	GAO-FENG Industrial Representative: SHEN, QIAN-CI	109.6.10	3	6,581,396	2.58	7,066,239	2.53
Director	HAO-QING Investment Representative: SUN, YONG-LU	109.6.10	3	80,423	0.03	86,347	0.03
Independent Director	QUE, MING-FU	109.6.10	3	0	0	0	0
Independent Director	LIU, ZHENG-HUAI	109.6.10	3	0	0	0	0
Independent Director	ZHENG, WEN-ZHENG	109.6.10	3	0	0	0	0
All directors total				31,550,017	12.37	33,887,140	12.12

## Remarks:

1. The Company has issued 279,517,513 shares as of the book closure date on April 12, 2021.
2. The legal minimum number of shares to be held by all directors: 12,000,000 shares.