HO TAI MOTOR COMPANY LIMITED

PARENT COMPANY ONLY FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purposes only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

HO TAI MOTOR CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT
(TRANSLATED FROM CHINESE)

PWCR20000521
To the Board of Directors and Shareholders
Ho Tai Motor Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Ho Tai Motor Co., Ltd. (the "Company") as of December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to "*other matter*" section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2020 and 2019, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 and the reports of other auditors are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters of the parent company only financial reports are stated as follows:

Evaluation of provision for impairment of accounts receivable of Hotai Finance Co., Ltd., the investment accounted for using equity method

Description

Hotai Finance Co., Ltd. (“Hotai Finance’’) is an investment by Ho Tai Motor Co., Ltd. accounted for using equity method. Its primary business is providing installment sales and leasing of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages of overdue accounts.

When accounts receivable are past due over 30 days, Hotai Finance already considers the collectability of those accounts in doubt. In addition to enhancing the collection process from customers, management also assesses the probability of overdue accounts becoming impaired over the past years. Impairment is for those doubtful accounts receivable depending on the length of overdue days and considering forward-looking factors such as the future economic conditions. Management evaluates the individual circumstances of each overdue amount to decide whether to measure the loss allowance.

The assessment mentioned above involves management’s judgement and factors that may be affected by the past events, current condition, and the future economic conditions. The results will directly influence the amounts recognized. Therefore, the estimation of the loss allowance is identified as a key audit matter.

How our audit addressed the matter

Our key audit procedures performed in respect of the above matter are summarized as follows:

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report.

2. For those accounts past due over 30 days, Hotai Finance will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and based on Hotai Finance's policy. In order to evaluate the reasonableness of the provision for impairment policy, we understood and assessed the occurrence percentage of actual impairment losses compared to the overdue accounts receivable over the past years, and other forward-looking information. In addition, we sampled and examined the expected credit losses report, and checked system information to ensure the consistency.

3. Sampled and examined the supporting documents of individual evaluation made by the management to evaluate the reasonableness of the expected credit loss recognized.

Valuation of the provisions for warranty

<u>Description</u>

Please refer to Note 4(22) of the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2) B for uncertainty of accounting estimates and assumptions of provisions for warranty, and Note 6(15) for details of the provisions for warranty.

In order to enhance customer's confidence on product quality, Ho Tai Motor Co., Ltd. provides a warranty for cars being sold in the fourth year or with mileage under 120,000 kilometers. Since the provisions for warranty involves massive historical data as well as complex calculations in respect of maintenance and repair experience, it is identified as a key audit matter.

<u>How our audit addressed the matter</u>

Our key audit procedures performed in respect of the above matter are summarized as follows:

1. In terms of the agent brands, obtained the car sold information in the last four years that met the warranty items offered by Ho Tai Motor Co., Ltd., such as cars being used in the fourth year or with mileage under 120,000 kilometers and cars' maintenance details as well as registration forms. Sampled and tested each car's warranty cost on maintenance records.

2. Reviewed the system information in respect of total cars sold in the last four years which qualify for the warranty scheme mentioned above. Evaluated the reasonableness of provision for warranty by considering the average warranty cost claimed from each agent brand.

Claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd., the investment accounted for using equity method

<u>Description</u>

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. ("Hotai Insurance"), an investment by Ho Tai Motor Co., Ltd. accounted for using equity method, is the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience. As of December 31, 2020, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT$3,655,621 thousand and NT$900,591 thousand, respectively.

Since the calculation method and assumptions selection of claims reserve (including those ceded) involve subjective judgement and relatively high degree of uncertainty, and the estimation results have a material impact on the financial statements, we have thus included claims reserve and ceded claims reserve as a key audit matter in our audit.

<u>How our audit addressed the matter</u>

The procedures that we have conducted in response to specific aspects of the key audit matter mentioned above are summarized as follows:

1. Understood and assessed Hotai Insurance's policies, internal control, and operational procedures related to claims reserve (including those ceded). Sampled and inspected the effectiveness of controls related to claims reserve calculation.
2. Sampled and examined the consistency of financial values used in calculating claims reserve with the recorded amounts in the books in order to confirm the accuracy and completeness.
3. Used the work of actuarial expert to assists us in assessing the reasonableness of the claims reserve (including those prior to and after reinsurance). This included the following procedures:
   (1) Examined the reasonableness of the assessment method for the reserves;
   (2) Examined the reasonableness of the assumptions used by Hotai Insurance;
   (3) Recalculated each assumption adopted by Hotai Insurance for incurred but not reported claims reserve in order to confirm the accuracy of the allowances for the reserves.
4. Examined those significant incurred but not paid cases on a sample basis and assessed the reasonableness of the estimated claims amount.

Other matter – Reference to the reports of other auditors

We did not audit the financial statements of certain investments recognized under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the audit reports of the other auditors. The balance of these investments recognized under the equity method amounted to NT$ 6,215,314 thousand and NT$ 5,929,129 thousand, constituting 7.42% and 7.75% of the total assets as at December 31, 2020 and 2019, respectively, and the comprehensive income amounted to NT$ 444,268 thousand and NT$ 329,241 thousand, constituting 3.06% and 2.48% of the total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards 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 financial reporting users.

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

A. Identify and assess the risks of material misstatement of the 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 controls.

B. 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.

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

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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.

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

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore, considered to be 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.

Yu-Lung, Wu	Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 25, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current Assets					
1100	Cash and cash equivalents	6(1)	$ 4,079,705	5	$ 1,028,230	1
1110	Financial assets at fair value through profit or loss – current	6(2)	121,132	-	-	-
1150	Notes receivable, net	6(4)	194	-	8,679	-
1170	Accounts receivable, net	6(4)	35,196	-	35,277	-
1180	Accounts receivable – related parties, net	6(4) and 7	875,481	1	2,209,087	3
1200	Other receivables	7	775,166	1	589,829	1
130X	Inventories, net	6(5)	6,892,711	8	7,225,714	10
1410	Prepayments		535,843	1	377,952	-
11XX	**Total current assets**		13,315,428	16	11,474,768	15
	Non-current assets					
1510	Financial assets at fair value through profit or loss-non-current	6(2)	500,000	1	500,000	1
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	8,050,052	10	7,804,554	10
1550	Investments accounted for using equity method	6(6)	54,766,276	65	49,779,288	65
1600	Property, plant and equipment	6(7)	3,655,402	4	4,023,217	5
1755	Right-of-use assets, net	6(8)	1,461	-	7,306	-
1760	Investment property, net	6(10)	2,451,228	3	1,965,743	3
1840	Deferred income tax assets	6(25)	522,187	1	427,112	-
1900	Other non-current assets		457,740	-	487,970	1
15XX	**Total non-current assets**		70,404,346	84	64,995,190	85
1XXX	**Total Assets**		$ 83,719,774	100	$ 76,469,958	100

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Liabilities and equity	Notes	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current Liabilities					
2100	Short-term loans	6(11)	$ 1,204,156	1	$ 1,951,407	3
2120	Financial liabilities at fair value through profit or loss-current	6(2)	62,172	-	149,572	-
2170	Accounts payable	6(12)	3,018,477	4	1,714,046	2
2180	Accounts payable – related parties	6(12) and 7	5,378,676	6	6,603,010	9
2200	Other payables	6(13) and 7	2,682,059	3	2,514,857	3
2230	Current income tax liabilities		1,293,129	2	1,177,022	1
2250	Provisions-current	6(15)	747,058	1	720,784	1
2280	Current lease liabilities		1,472	-	5,861	-
2300	Other current liabilities		103,887	-	85,507	-
21XX	**Total current liabilities**		14,491,086	17	14,922,066	19
	Non-current liabilities					
2550	Provisions-non-current	6(15)	2,271,345	3	1,699,732	2
2570	Deferred income tax liabilities	6(25)	1,478,821	2	1,259,504	2
2580	Non-current lease liabilities		-	-	1,472	-
2600	Other non-current liabilities		818	-	748	-
25XX	**Total non-current liabilities**		3,750,984	5	2,961,456	4
2XXX	**Total liabilities**		18,242,070	22	17,883,522	23
	Equity					
	Share capital	6(16)				
3110	Common stock		5,461,792	7	5,461,792	7
	Capital surplus	6(17)				
3200	Capital surplus		2,818,336	3	2,816,734	3
	Retained earnings	6(18)				
3310	Legal reserve		12,544,333	15	11,350,835	15
3320	Special reserve		381,843	-	381,843	1
3350	Unappropriated earnings		42,338,324	51	37,362,029	49
	Other equity					
3400	Other equity		1,933,076	2	1,213,203	2
3XXX	**Total equity**		65,477,704	78	58,586,436	77
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 83,719,774	100	$ 76,469,958	100

The accompanying notes are an integral part of the parent company only financial statements.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			2020		2019	
	Items	Notes	Amount	%	Amount	%
4000	**Operating revenue**	6(19) and 7	$ 136,052,443	100	$ 126,892,633	100
5000	**Operating costs**	6(5) and 7	(124,039,117)	(91)	(116,041,832)	(91)
5900	**Gross profit before realized (unrealized) profit from sales to subsidiaries and associates**		12,013,326	9	10,850,801	9
5910	Unrealized profit from sales		(136,549)	-	(219,755)	-
5920	Realized profit from sales		219,755	-	106,759	-
5950	**Gross profit**		12,096,532	9	10,737,805	9
	Operating expenses	6(23) and 7				
6100	Selling expenses		(2,117,462)	(2)	(2,370,053)	(2)
6200	General and administrative expenses		(1,751,042)	(1)	(1,478,673)	(1)
6000	**Total operating expenses**		(3,868,504)	(3)	(3,848,726)	(3)
6900	**Operating profit**		8,228,028	6	6,889,079	6
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	65,925	-	63,416	-
7010	Other income	6(21) and 7	1,126,579	1	1,298,738	1
7020	Other gains and losses	6(22)	533,867	-	154,320	-
7050	Finance costs		(23,036)	-	(44,743)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	6,270,255	5	5,376,506	4
7000	**Total non-operating income and expenses**		7,973,590	6	6,848,237	5
7900	**Profit before income tax**		16,201,618	12	13,737,316	11
7950	Income tax expense	6(25)	(2,352,748)	(2)	(1,968,501)	(2)
8200	**Profit for the year**		$ 13,848,870	10	$ 11,768,815	9
	Other comprehensive income (loss) for the year, net of tax					
	Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
8316	Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	$ 245,498	-	$ 1,241,130	1
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		(20,933)	-	160,893	-
8310	**Total components of other comprehensive income (loss) that may not be reclassified to profit or loss**		224,565	-	1,402,023	1
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		148,330	-	(246,805)	-
8380	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		314,410	1	356,252	-
8399	Income tax related to components of other comprehensive income		-	-	-	-
8360	**Total components of other comprehensive income (loss) that will be reclassified to profit or loss**		462,740	1	109,447	-
8300	**Other comprehensive income (loss) for the year, net of tax**		$ 687,305	1	$ 1,511,470	1
8500	**Total comprehensive income for the year**		$ 14,536,175	11	$ 13,280,285	10
	Earnings per share (in dollars)					
9750	**Basic earnings per share**	6(26)	$	25.36	$	21.55
9850	**Diluted earnings per share**	6(26)	$	25.34	$	21.54

The accompanying notes are an integral part of the parent company only financial statements.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan Dollars)

				Retained earnings			Other equity			
	Notes	Share capital-common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains (loss) on financial assets at fair value through other compre-hensive income	Gain (loss) on hedging instruments	Total equity
For the year ended December 31, 2019										
Balance at January 1, 2019		$ 5,461,792	$ 292,159	$ 10,348,282	$ 381,843	$ 32,983,752	($ 327,983)	$ 236,218	($ 40,337)	$ 49,335,726
Profit for the year		-	-	-	-	11,768,815	-	-	-	11,768,815
Other comprehensive income (loss) for the year		-	-	-	-	166,165	(359,145)	1,657,245	47,205	1,511,470
Total comprehensive income (loss)		-	-	-	-	11,934,980	(359,145)	1,657,245	47,205	13,280,285
Appropriation and distribution of retained earnings:	6(18)									
Legal reserve		-	-	1,002,553	-	(1,002,553)	-	-	-	-
Cash dividends		-	-	-	-	(6,554,150)	-	-	-	(6,554,150)
Changes in equity of associates and joint ventures accounted for using equity method		-	(16)	-	-	-	-	-	-	(16)
Difference between consideration and carrying amount of subsidiaries disposed		-	164,197	-	-	-	-	-	-	164,197
Participation of capital increase of subsidiaries not proportionately to ownership		-	2,360,394	-	-	-	-	-	-	2,360,394
Balance at December 31, 2019		$ 5,461,792	$ 2,816,734	$ 11,350,835	$ 381,843	$ 37,362,029	($ 687,128)	$ 1,893,463	$ 6,868	$ 58,586,436
For the year ended December 31, 2020										
Balance at January 1, 2020		$ 5,461,792	$ 2,816,734	$ 11,350,835	$ 381,843	$ 37,362,029	($ 687,128)	$ 1,893,463	$ 6,868	$ 58,586,436
Profit for the year		-	-	-	-	13,848,870	-	-	-	13,848,870
Other comprehensive income (loss) for the year		-	-	-	-	(32,568)	190,842	525,522	3,509	687,305
Total comprehensive income		-	-	-	-	13,816,302	190,842	525,522	3,509	14,536,175
Appropriation and distribution of retained earnings:	6(18)									
Legal reserve		-	-	1,193,498	-	(1,193,498)	-	-	-	-
Cash dividends		-	-	-	-	(7,646,509)	-	-	-	(7,646,509)
Changes in equity of associates and joint ventures accounted for using equity method		-	(1,056)	-	-	-	-	-	-	(1,056)
Changes in ownership interests in subsidiaries	6(6)	-	2,658	-	-	-	-	-	-	2,658
Balance at December 31, 2020		$ 5,461,792	$ 2,818,336	$ 12,544,333	$ 381,843	$ 42,338,324	($ 496,286)	$ 2,418,985	$ 10,377	$ 65,477,704

The accompanying notes are an integral part of the parent company only financial statements.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
Cash flows from operating activities			
Profit before income tax		$ 16,201,618	$ 13,737,316
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(22)	(132,411)	117,446
Depreciation	6(23)	96,972	97,423
Net (loss) gain on disposal of property, plant and equipment	6(22)	(1,303)	773
Loss on abandonment of property, plant and equipment	6(22)	5	139
Share of profit of associates accounted for using equity method	6(6)	(6,270,255)	(5,376,506)
Dividend income		(252,700)	(250,185)
Interest expense		23,036	44,743
Interest income	6(20)	(65,925)	(63,416)
Unrealized profit from sales		136,549	219,755
Realized profit from sales		(219,755)	(106,759)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		(76,121)	17,250
Notes receivable		8,485	(837)
Accounts receivable		1,333,687	443,979
Other receivables		(185,970)	176,701
Inventories		333,003	(1,989,374)
Prepayments		(158,041)	(53,974)
Net changes in liabilities relating to operating activities			
Notes and accounts payable		80,097	14,755
Other payables		167,842	(122,841)
Other current liabilities		18,380	(3,860)
Other non-current liabilities		597,957	696,056
Cash inflow generated from operations		11,635,150	7,598,584
Cash dividends received		2,948,108	2,757,140
Interest paid		(23,528)	(44,878)
Interest received		66,558	63,558
Income tax paid		(2,112,399)	(1,845,898)
Net cash provided by operating activities		12,513,889	8,528,506
Cash flows from investing activities			
Acquisition of investments accounted for using equity method	6(6)	(885,524)	(718,591)
Acquisition of property, plant and equipment	6(7)	(211,545)	(341,685)
Acquisition of investment property	6(10)	(149)	(269)
Proceeds from disposal of property, plant and equipment	6(7)	4,195	8,762
Decrease in other non-current assets		30,230	(91,094)
Net cash used in investing activities		(1,062,793)	(1,142,877)
Cash flows from financing activities			
(Decrease) increase in short-term loans	6(27)	(747,251)	70,593
Cash dividends paid	6(18)(27)	(7,646,509)	(6,554,150)
Repayments of principal portion of lease liability	6(27)	(5,861)	(5,818)
Net cash used in financing activities		(8,399,621)	(6,489,375)
Increase in cash and cash equivalents		3,051,475	896,254
Cash and cash equivalents at beginning of year		1,028,230	131,976
Cash and cash equivalents at end of year		$ 4,079,705	$ 1,028,230

The accompanying notes are an integral part of the parent company only financial statements.

HO TAI MOTOR CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Ho Tai Motor Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on April 25, 1955. The Company is primarily engaged in assembling, trading, import of vehicles, automobile air conditioners and their parts.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 25, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

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

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ' Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

(3) Effects of IFRSs issued by IASB but not yet endorsed by the FSC

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

New and revised Standards, Interpretations and Amendments	Effective date issued by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts－cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The parent company only financial statements are presented in New Taiwan dollar ("NTD"), which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses based on the nature of those transitions are presented in the statement of comprehensive income within "other gains or losses".

B. Translation of foreign operations

(a) The operating results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or jointly arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when the Company retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.

D. The Company recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Operating leases (lessor)

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

(13) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealized gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognizes proportionately the share of profit and loss and other comprehensive incomes in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of company's interest in that subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.

D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

F. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

J. Pursuant to the "Regulations Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ～ 60 years
Utility equipment	8 ～ 10 years
Office equipment	2 ～ 20 years
Other equipment	5 ～ 6 years
Rental assets	7 ～ 10 years

(15) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10~60 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Liabilities for purchases of raw materials, goods or services and notes payables resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Provisions

Provisions (provision for warranties) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(24) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(25) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(26) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(27) Revenue recognition

Sales of goods

A. The Company sells cars and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.

C. The Company's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.

D. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of the parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Company estimates sales discounts based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

B. Provisions for warranty

To enhance customer's confidence on product quality, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(15) "Provisions" for more information. As of December 31, 2020, the carrying amount of provisions for warranty was $3,018,403.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	$ 330	$ 330
Checking accounts and demand deposits	383,644	229,585
Cash equivalents-short-term notes and bills	3,695,731	798,315
	$ 4,079,705	$ 1,028,230

The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

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(2) Financial instruments at fair value through profit or loss

Items	December 31, 2020		December 31, 2019	
Financial assets at fair value through profit or loss				
Current items:				
Financial assets mandatorily measured at fair value through profit or loss				
Listed stocks	$	95,402	$	-
Valuation adjustment		17,383		-
Derivative instruments		8,347		-
	$	121,132	$	-
Non-current items:				
Financial assets mandatorily measured at fair value through profit or loss				
Corporate bonds	$	500,000	$	500,000
Financial liabilities at fair value through profit or loss				
Current items:				
Financial liabilities held for trading				
Derivative instruments	$	62,172	$	149,572

A. Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

Items	Years ended December 31, 2020		Years ended December 31, 2019	
Financial assets mandatorily measured at fair value through profit or loss				
Derivative instruments	$	95,748	($	134,696)
Beneficiary certificates		2,031		-
Corporate bonds		17,250		17,250
Foreign stocks		17,382		-
	$	132,411	($	117,446)

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

Derivative instruments	December 31, 2020 Contract amount (Notional principal) (in thousands)		December 31, 2020 Contract period
Current items:			
Forward foreign exchange contracts	USD	383,750	2020.9.23~2021.4.14

Derivative instruments	December 31, 2019 Contract amount (Notional principal) (in thousands)		Contract period
Current items:			
Forward foreign exchange contracts	USD	404,846	2019.7.25~2020.5.14

The Company entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

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

Items	December 31, 2020		2019	
Current items:				
Equity instruments				
Listed stocks and unlisted stocks	$	6,413,881	$	6,413,881
Valuation adjustment		1,636,171		1,390,673
	$	8,050,052	$	7,804,554

A. The Company has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $8,050,052 and $7,804,554, respectively, as of December 31, 2020 and 2019.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Items	Years ended December 31, 2020		2019	
Equity instruments at fair value through other comprehensive income				
Changes in fair value recognized in other comprehensive income	$	245,498	$	1,241,130

C. The Company has no financial assets at fair value through other comprehensive income pledged to others.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

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

	December 31, 2020	December 31, 2019
Notes receivable	$ 194	$ 8,679
Accounts receivable	910,677	2,244,364
	$ 910,871	$ 2,253,043

A. The Company has no past due accounts receivable.

B. As of December 31, 2020, December 31, 2019 and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to $910,871, $2,253,043 and $2,696,185, respectively.

C. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(5) Inventories

December 31, 2020	Cost	Allowance for valuation loss	Book value
Vehicles	$ 6,055,501	$ -	$ 6,055,501
Parts	684,577	(82,124)	602,453
Inventory in transit	234,757	-	234,757
	$ 6,974,835	($ 82,124)	$ 6,892,711

December 31, 2019	Cost	Allowance for valuation loss	Book value
Vehicles	$ 4,211,089	$ -	$ 4,211,089
Parts	671,209	(73,245)	597,964
Inventory in transit	2,416,661	-	2,416,661
	$ 7,298,959	($ 73,245)	$ 7,225,714

A. Above listed inventories were not pledged to others as collateral.

B. Expenses and losses incurred on inventories were as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Cost of goods sold	$ 124,021,592	$ 116,031,159
Loss on market value decline of inventories	8,879	6,451
	$ 124,030,471	$ 116,037,610

(6) Investments accounted for using equity method

	December 31,			
	2020		2019	
Hozan Investment Co., Ltd.	$	21,586,019	$	20,714,779
Shanghai Ho-Yu (BVI) Investment Co., Ltd.		7,952,833		5,834,220
Kuozui Motors, Ltd.		4,590,681		4,315,317
Change Yuan Motor Co., Ltd.		4,311,113		4,150,614
Central Motor Co., Ltd.		2,609,115		2,528,177
Ho Tai Development Co., Ltd.		2,933,561		2,616,032
Tau Miau Motor Co., Ltd.		1,608,001		1,501,798
Kau Du Automobile Co., Ltd.		1,392,909		1,361,522
Carmax Co., Ltd.		1,379,937		1,284,584
Kuotu Motor Co., Ltd.		1,238,822		1,124,145
Taipei Toyota Motor Co., Ltd.		1,157,149		1,078,674
Nan Du Motor Co., Ltd.		1,086,633		1,009,110
Toyota Material Handing Taiwan Ltd.		981,292		977,506
Hotai Connected Co., Ltd.		551,522		-
Eastern Motor Co., Ltd.		423,010		378,068
Lang Yang Toyota Motor Co., Ltd.		301,130		293,845
Formosa Flexible Packaging Corp.		378,824		357,798
Shi-Ho Screw Industrial Co., Ltd., etc.		283,725		253,099
	$	54,766,276	$	49,779,288

A. Please refer to Note 4(3) of the 2020 and 2019 consolidated financial statements for related information about subsidiaries of the Company.

B. Hotai Finance Co., Ltd. has quoted market price. As of December 31, 2020, the fair value of Hotai Finance Co., Ltd. was $18,842,896.

C. The share of profit of investments accounted for using the equity method were $6,270,255 and $5,376,506, which were valued based on the investees' financial statements audited by auditors for the years ended December 31, 2020 and 2019, respectively.

D. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the financial performance are summarized as follows:

The individually immaterial associates of the Company for the years ended December 31, 2020 and 2019 amounted to $14,618,770 and $13,806,849, respectively.

	Years ended December 31,			
	2020		2019	
Comprehensive income for the year	$	5,540,450	$	4,505,197

E. On March 9, 2020, the Board of Directors of the subsidiary, Hoing Mobility Service Corporation, resolved to increase its capital. The subsidiary, Hotai Leasing Co., Ltd., did not acquire shares proportionally to its interest; as a result, its shareholding ratio decreased to 49.18% from 100%. However, the subsidiary, Hotai Finance Co., Ltd. invested $310 million in Hoing Mobility Service Corporation, thus, its shareholding ratio increased to 50.82% and resulting in changes in capital surplus amounting to $1,270.

F. On May 22, 2020, the Company participated in the capital increase of AIM Technology Corp. by acquiring 1,650,000 shares amounting to $16,500, and the shareholding would be 15% after the completion.

G. On May 19, 2020 and August 13, 2020, the Company participated in the capital increase of Shanghai Ho-Yu (BVI) Investment Co., Ltd. amounting to $344,391 and $529,308, respectively.

H. On August 25, 2020, Hotai Mobility Service Co. Ltd. increased its capital. The subsidiary, Hotai Connected Co., Ltd., did not acquire shares proportionally to its interest; as a result, its shareholding ratio decreased from 100% to 60%. However, the subsidiary, Hotai Finance Co., Ltd. invested $120 million in Hotai Mobility Service Co., Ltd. and its shareholding ratio increased to 40%. The Company did not acquire shares proportionally to its interest resulting in equity changes amounting to $1,388 which were recognized as changes in capital surplus.

I. On December 24, 2020, the shareholders of the subsidiary, Hozan Investment Co., Ltd., during their meeting approved to reduce its capital amounting to $579,060 by using 100% shareholding in its subsidiary, Hotai Connected Co., Ltd., as consideration, and transferred it to the Company.

J. On July 16, 2019, the Company participated in the capital increase of Shanghai Ho-Yu (BVI) Investment Co., Ltd. amounting to $636,628.

K. On July 31, 2019, the Company participated in the capital increase of Formosa Flexible Packaging Corporation by acquiring 287,499 shares amounting to $81,963, and the shareholding would be 44.44% after the completion.

L. On December 5, 2019, the shareholders of the subsidiary, Hozan Investment Co., Ltd., during their meeting approved that Hozan Investment Co., Ltd. did not participate in the capital increase raised by Hotai Finance Co., Ltd.. As a result, its shareholding ratio decreased to 47.84%. Hozan Investment Co., Ltd. still has substantial control over Hotai Finance Co., Ltd. even if Hozan Investment Co., Ltd.'s shareholding ratio was under 50%. Therefore, Hozan Investment Co., Ltd. did not classify the change of equity from acquiring shares disproportionately to ownership of $2,360,394 as changes of capital surplus.

M. On December 9, 2019, the shareholders of the subsidiary, Hozan Investment Co., Ltd., during their meeting approved to sell 12,586,000 shares of Hotai Finance Co., Ltd.. The total consideration was $665,057, net of securities exchange tax. Hozan Investment Co., Ltd. recognised gain on disposal amounting to $164,197, which was recognised in changes of capital surplus since the Hozan Investment Co., Ltd. did not lose its control over Hotai Finance Co., Ltd.

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(7) Property, plant and equipment

	Land	Buildings and structures	Utility equipment Owner-occupied	Utility equipment Lease	Office Equipment	Others	Construction in progress	Total
At January 1, 2020								
Cost	$ 2,143,310	$ 1,266,966	$ 130,052	$ 78,612	$ 542,237	$ 13,236	$ 341,682	$ 4,516,095
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(747,485)	(128,207)	(78,338)	(437,532)	(6,059)	-	(1,424,471)
	$ 3,047,957	$ 519,577	$ 1,845	$ 274	$ 104,705	$ 7,177	$ 341,682	$ 4,023,217
2020								
Opening net book amount as of January 1	$ 3,047,957	$ 519,577	$ 1,845	$ 274	$ 104,705	$ 7,177	$ 341,682	$ 4,023,217
Additions	-	2,550	894	-	24,698	2,501	180,902	211,545
Disposals	-	-	-	-	(2,897)	-	-	(2,897)
Reclassifications	-	-	-	-	6,655	-	(517,110)	(510,455)
Depreciation	-	(36,132)	(464)	(44)	(27,628)	(1,740)	-	(66,008)
Closing net book amount as of December 31	$ 3,047,957	$ 485,995	$ 2,275	$ 230	$ 105,533	$ 7,983	$ 5,474	$ 3,655,402
At December 31, 2020								
Cost	$ 2,143,310	$ 1,269,516	$ 130,946	$ 78,612	$ 560,999	$ 15,005	$ 5,474	$ 4,203,862
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(783,617)	(128,671)	(78,382)	(455,466)	(7,067)	-	(1,480,053)
	$ 3,047,957	$ 485,995	$ 2,275	$ 230	$ 105,533	$ 7,983	$ 5,474	$ 3,655,402

	Land	Buildings and structures	Utility equipment Owner-occupied	Utility equipment Lease	Office Equipment	Others	Construction in progress	Total
At January 1, 2019								
Cost	$ 2,143,310	$ 1,251,553	$ 129,642	$ 78,612	$ 515,052	$ 7,821	$ 80,186	$ 4,206,176
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(710,476)	(127,645)	(78,294)	(430,349)	(5,515)	-	(1,379,129)
	$ 3,047,957	$ 541,173	$ 1,997	$ 318	$ 84,703	$ 2,306	$ 80,186	$ 3,758,640
2019								
Opening net book amount as of January 1	$ 3,047,957	$ 541,173	$ 1,997	$ 318	$ 84,703	$ 2,306	$ 80,186	$ 3,758,640
Additions	-	2,808	410	-	24,702	5,492	308,273	341,685
Disposals	-	(92)	-	-	(9,582)	-	-	(9,674)
Reclassifications	-	11,835	-	-	34,194	-	(46,777)	(748)
Depreciation	-	(36,147)	(562)	(44)	(29,312)	(621)	-	(66,686)
Closing net book amount as of December 31	$ 3,047,957	$ 519,577	$ 1,845	$ 274	$ 104,705	$ 7,177	$ 341,682	$ 4,023,217
At December 31, 2019								
Cost	$ 2,143,310	$ 1,266,966	$ 130,052	$ 78,612	$ 542,237	$ 13,236	$ 341,682	$ 4,516,095
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(747,485)	(128,207)	(78,338)	(437,532)	(6,059)	-	(1,424,471)
	$ 3,047,957	$ 519,577	$ 1,845	$ 274	$ 104,705	$ 7,177	$ 341,682	$ 4,023,217

(8) Leasing arrangements - lessee

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 2 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020 Carrying amount	December 31, 2019 Carrying amount
Land	$ 1,381	$ 6,906
Buildings	80	400
	$ 1,461	$ 7,306

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 5,525	$ 5,525
Buildings	320	320
	$ 5,845	$ 5,845

C. The information on profit and lose accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 35	$ 80
Expense on short-term lease contracts and leases of low-value assets	45,360	33,007

D. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for lease amounted to $51,256 and $38,905, respectively.

(9) Leasing arrangements - lessor

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2020 and 2019, the Company recognized rent income in the amount of $216,967 and $195,942, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments receivable under the operating leases is as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	$ 95,823	$ 199,992
Between 1 and 2 years	79,356	8,444
Between 2 and 3 years	79,331	8,444
Between 3 to 4 years	4,937	8,444
Between 4 to 5 years	521	1,181
More than 6 years	7,250	7,774
	$ 267,218	$ 234,279

(10) Investment property

	Land	Buildings and Structures	Total
At January 1, 2020			
Cost	$ 755,900	$ 977,322	$ 1,733,222
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(521,725)	(521,725)
	$ 1,498,163	$ 467,580	$ 1,965,743
2020			
Opening net book amount as of January 1	$ 1,498,163	$ 467,580	$ 1,965,743
Additions	-	149	149
Reclassifications	-	510,455	510,455
Depreciation	-	(25,119)	(25,119)
Closing net book amount as of December 31	$ 1,498,163	$ 953,065	$ 2,451,228
At December 31, 2020			
Cost	$ 755,900	$ 1,487,826	$ 2,243,826
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(546,844)	(546,844)
	$ 1,498,163	$ 953,065	$ 2,451,228

	Land	Buildings and Structures	Total
At January 1, 2019			
Cost	$ 755,900	$ 978,816	$ 1,734,716
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(499,343)	(499,343)
	$ 1,498,163	$ 491,456	$ 1,989,619
2019			
Opening net book amount as of January 1	$ 1,498,163	$ 491,456	$ 1,989,619
Additions	-	269	269
Reclassifications	-	747	747
Depreciation	-	(24,892)	(24,892)
Closing net book amount as of December 31	$ 1,498,163	$ 467,580	$ 1,965,743
At December 31, 2019			
Cost	$ 755,900	$ 977,322	$ 1,733,222
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(521,725)	(521,725)
	$ 1,498,163	$ 467,580	$ 1,965,743

A. Rental income from investment property and direct operating expenses arising from investment property are as follows:

	Years ended December 31,	
	2020	2019
Rental income from investment property	$ 216,967	$ 195,942
Direct operating expenses arising from the investment property that generated rental income during the year	$ 25,119	$ 24,892

B. The fair value of the investment property held by the Company was $4,080,085 and $3,899,316 as of December 31, 2020 and 2019, respectively.

(11) Short-term loans

	December 31,	
Type of loans	2020	2019
Unsecured loans	$ 1,204,156	$ 1,951,407
Annual interest rate	0.70%~0.76%	2.10%~2.36%

Interest expense recognised in profit or loss amounted to $10,478 and $32,854 for the years ended December 31, 2020 and 2019, respectively.

(12) Accounts payable (including related parties)

	December 31,	
	2020	2018
Accounts payable	$ 3,597,373	$ 3,236,035
Accounts payable - foreign currencies	4,778,696	5,177,178
	8,376,069	8,413,213
Valuation adjustment	21,084	(96,157)
	$ 8,397,153	$ 8,317,056

(13) Other payables

	December 31,	
	2020	2019
Year-end bonus payable	$ 864,425	$ 728,944
Dealer premium bonus payable	619,704	578,644
Remuneration payable to directors	334,054	283,244
Advertisement expense payable	160,435	173,988
Warranty cost payable	89,131	93,165
Remuneration payable to employees	167,027	141,622
Others	447,283	515,250
	$ 2,682,059	$ 2,514,857

(14) Pensions

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were $28,401 and $27,704, respectively.

(15) Provisions

	Warranty
At January 1, 2020	$ 2,420,516
Additional provisions during the year	1,221,991
Used during the year	(624,104)
At December 31, 2020	$ 3,018,403

	Warranty
At January 1, 2019	$ 1,724,457
Additional provisions during the year	1,489,014
Used during the year	(792,955)
At December 31, 2019	$ 2,420,516

Analysis of total provision:

	December 31,	
	2020	2019
Current	$ 747,058	$ 720,784
Non-current	$ 2,271,345	$ 1,699,732

The Company provides warranties on vehicles and related products sold. Provision for warranty is estimated based on historical warranty data of vehicles and related products.

(16) Share capital

As of December 31, 2020, the Company's authorized capital was $6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was $5,461,792 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2020 and December 31, 2020 was both 546,179,184 shares.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any, shall be appropriated as dividends to shareholders which shall account for at least 50%, and cash dividends shall account for at least 10% of the total dividends distributed.

The earnings appropriation ratios and distribution method of dividends to shareholders are determined based on current year's profit and capital position and shall be proposed by the Board of Directors and resolved by the shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

D. The Company recognized dividends distributed to shareholders amounting to $7,646,509 ($14.0 per share) and $6,554,150 ($12.0 per share) for the years 2020 and 2019, respectively. On March 25, 2021, the Board of Directors resolved that total dividends for the distribution of earnings for the year 2020 was $9,285,046 at $17 (in dollars) per share.

(19) Operating revenue

	Years ended December 31, 2020	Years ended December 31, 2019
Revenue from contracts with customers - Sales revenue	$ 134,723,411	$ 125,454,108
Revenue from contracts with customers - Service revenue	1,329,032	1,438,525
	$ 136,052,443	$ 126,892,633

Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods and services at a point in time in the following major product lines:

	Years ended December 31, 2020	Years ended December 31, 2019
Goods category:		
Sales of goods	$ 134,723,411	$ 125,454,108
Service revenue	1,329,032	1,438,525
	$ 136,052,443	$ 126,892,633
Timing of revenue recognition		
At a point in time	$ 136,052,443	$ 126,892,633

(20) Interest income

	Years ended December 31, 2020	Years ended December 31, 2019
Interest income from bank deposits	$ 187	$ 143
Interest from short-term notes	10,085	6,443
Other interest income	55,653	56,830
	$ 65,925	$ 63,416

(21) Other income

	Years ended December 31, 2020	Years ended December 31, 2019
Rental income	$ 216,967	$ 195,942
Others	909,612	1,102,796
	$ 1,126,579	$ 1,298,738

(22) Other gains and losses

	Years ended December 31, 2020	Years ended December 31, 2019
Net gain (loss) on financial assets/liabilities at fair value through profit or loss	$ 132,411	($ 117,446)
Gain (loss) on disposal of property, plant and equipment	1,303	(773)
Loss on abandonment of property, plant and equipment	(5)	(139)
Net currency exchange gain	422,820	439,563
Miscellaneous disbursements	(22,662)	(166,885)
	$ 533,867	$ 154,320

(23) Expenses by nature (shown as operating expenses)

	Years ended December 31, 2020	Years ended December 31, 2019
Employee benefit expense	$ 2,147,001	$ 1,918,383
Depreciation	96,972	97,423
	$ 2,243,973	$ 2,015,806

(24) Employee benefit expense (shown as operating expenses)

	Years ended December 31, 2020	Years ended December 31, 2019
Wages and salaries	$ 1,594,959	$ 1,426,229
Labor and health insurance fees	65,768	64,101
Pension costs	28,401	27,704
Directors' remuneration	350,874	300,134
Other personnel expenses	106,999	100,215
	$ 2,147,001	$ 1,918,383

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channeled to cover losses.

B. For the years ended December 31, 2020 and 2019, employees' remuneration was accrued at $167,027 and $141,622, respectively; while directors' remuneration was accrued at $334,054 and $283,244, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the year ended December 31, 2020. The employees' compensation and directors' remuneration resolved by the Board of Directors were $167,027 and $334,054 on March 25, 2021, and the employees' compensation will be distributed in cash.

Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 financial statements.

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

(25) Income tax

A. Income tax expense

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax expense recognized in the current year	$ 2,070,579	$ 1,810,874
Tax on undistributed surplus earnings	154,749	123,442
Effect from investment tax credits	(960)	-
Prior year income tax under estimation	4,138	7,495
Total current tax	2,228,506	1,941,811
Deferred tax:		
Origination and reversal of temporary differences	124,242	26,690
Total deferred tax	124,242	26,690
Income tax expense	$ 2,352,748	$ 1,968,501

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2020	2019
Income tax expense at the statutory rate	$ 3,240,324	$ 2,747,462
Effects from adjustments based on regulation	(1,045,503)	(909,898)
Tax on undistributed surplus earnings	154,749	123,442
Effect from investment tax credits	(960)	-
Prior year income tax under estimation	4,138	7,495
Income tax expense	$ 2,352,748	$ 1,968,501

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2020		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	$ 14,649	$ 1,776	$ 16,425
Provision for after-sale service	9,094	-	9,094
Unrealized gain on inter-affiliate accounts	43,951	9,983	53,934
Others	359,418	83,316	442,734
	427,112	95,075	522,187
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(720,826)	(219,317)	(940,143)
Land value increment tax	(509,365)	-	(509,365)
Others	(29,313)	-	(29,313)
	(1,259,504)	(219,317)	(1,478,821)
	($ 832,392)	($ 124,242)	($ 956,634)

	Year ended December 31, 2019		
	January 1	Recognized in profit or loss	December 31
Temporary differences:			
-Deferred tax assets:			
Allowance for inventory obsolescence	$ 13,359	$ 1,290	$ 14,649
Provision for after-sale service	9,094	-	9,094
Unrealized gain on inter-affiliate accounts	21,352	22,599	43,951
Others	211,545	147,873	359,418
	255,350	171,762	427,112
-Deferred tax liabilities:			
Gain on investment accounted for using equity method	(545,238)	(175,588)	(720,826)
Land value increment tax	(509,365)	-	(509,365)
Others	(6,449)	(22,864)	(29,313)
	(1,061,052)	(198,452)	(1,259,504)
	($ 805,702)	($ 26,690)	($ 832,392)

D. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 13,848,870	546,179	$ 25.36
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 13,848,870	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	337	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 13,848,870	545,516	$ 25.34

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders	$ 11,768,815	546,179	$ 21.55
Diluted earnings per share			
Profit attributable to ordinary shareholders	$ 11,768,815	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	287	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	$ 11,768,815	546,466	$ 21.54

(27) Changes in liabilities from financing activities

	Short-term loans	Dividend payable	Lease liabilities	Liabilities from Financing activities-gross
January 1, 2020	$ 1,951,407	$ 6,368	$ 7,333	$ 1,965,108
Changes in cash flow from financing activities	(747,251)	(7,646,509)	(5,861)	(8,399,621)
Changes in other non-cash items	-	7,646,471	-	7,646,471
December 31, 2020	$ 1,204,156	$ 6,330	$ 1,472	$ 1,211,958

	Short-term loans	Dividend payable	Lease liabilities	Liabilities from Financing activities-gross
January 1, 2019	$ 1,880,814	$ 6,574	$ -	$ 1,887,388
Changes in cash flow from financing activities	70,593	(6,554,150)	(5,818)	(6,489,375)
Changes in other non-cash items	-	6,553,944	13,151	6,567,095
December 31, 2019	$ 1,951,407	$ 6,368	$ 7,333	$ 1,965,108

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship with the Company

Names of related parties	Relationship with the Company
Toyota Motor Asia Pacific Pte Ltd.(TMAP)	Entity controlled by key management
Toyota Motor Manufacturing Turkey Inc.	Entity controlled by key management
Toyota-Motor-Europe-Nv/Sa	Entity controlled by key management
Toyota-Motor-Sales-USA	Entity controlled by key management
Toyota Auto Body Co.,Ltd	Entity controlled by key management
Toyota Daihatsu Engineering & Manufacturing Co.,Ltd	Entity controlled by key management
Hino Motors, Ltd.	Entity controlled by key management
Toyota Motor Corporation (TMC)	Entity controlled by key management
Ho Chuang Insurance Agency Co., Ltd.	Entity controlled by key management
Ho An Insurance Agency Co., Ltd.	Entity controlled by key management
Ho Yu Investment Co., Ltd.	Entity controlled by key management
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Subsidiary
Toyota Material Handling Taiwan Ltd.	Subsidiary
Carmax Co., Ltd. (Carmax)	Subsidiary
Hotai Innovation Marketing Co.	Subsidiary
Hozan Investment Co., Ltd.	Subsidiary
Ho Tai Service & Marketing Co., Ltd.	Subsidiary
Hotai Insurance Co., Ltd.	Subsidiary
Ho Tai Development Co., Ltd.	Subsidiary
Ho Tai Cyber Connection Co., Ltd.	Subsidiary
Hotong Motor Investment Co., Ltd.	Subsidiary
Hoing Mobility Service Corporation	Subsidiary
Hotai Leasing Co., Ltd. (Hotai Leasing)	Subsidiary
Hotai Finance Co., Ltd.	Subsidiary
Eastern Motor Co., Ltd.	Subsidiary
Chang Yuan Motor Co., Ltd. (Chang Yuan)	Subsidiary
Smart Design Technology Co., Ltd.	Subsidiary
Hotai Mobility Service Co., Ltd.	Subsidiary
HO TAI PARTS & ACCESSORIES CO., LTD.	Subsidiary
Ho Tai Crane Engineering Co., Ltd.	Subsidiary
Ho Tai Transportation Co., Ltd.	Subsidiary
Long Ho Crane Engineering Co., Ltd.	Subsidiary
Long Hao Crane Engineering Co., Ltd.	Subsidiary
Long Hao Removal Transport Services Co., Ltd.	Subsidiary
Triple S Digital Co.,Ltd	Associate
Formosa Flexible Packaging Corp.	Associate
Yokohama Tire Taiwan Co., Ltd.	Associate
Kuozui Motors, Ltd. (Kuozui)	Associate
Kuotu Motor Co., Ltd. (Kuotu)	Associate
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associate
Tau Miau Motor Co., Ltd. (Tau Miau)	Associate

Names of related parties	Relationship with the Company
Central Motor Co ., Ltd. (Central Motor)	Associate
Nan Du Motor Co., Ltd. (Nan Du)	Associate
Kau Du Automobile Co., Ltd. (Kau Du)	Associate
Lang Yang Toyota Motor Co., Ltd.	Associate
Hozao Enterprise Co., Ltd.	Associate
Hohung Motors Co., Ltd.	Associate
Horung Motors Co., Ltd.	Associate
Zhong Cheng Motors Co., Ltd.	Associate
Fan Tai Transportation Co., Ltd.	Associate
Yi Tai Transportation Co., Ltd.	Associate
Hua Tai Transportation Co., Ltd.	Associate
AIM Technology Corp.	Associate

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31, 2020	Years ended December 31, 2019
(a)Interest income:		
-Associates		
Central Motor	$ 27,104,011	$ 24,687,620
Tau Miau	24,551,172	22,529,225
Taipei Motor	20,003,246	18,390,880
Kuotu	19,825,948	19,528,719
Kau Du	17,786,963	16,496,040
Nan Du	15,959,320	14,464,154
Others	2,844,327	2,602,809
-Subsidiaries	6,366,682	6,340,455
	$ 134,441,669	$ 125,039,902

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are provided in item 7 of Note 13(1) significant transactions information.

	Years ended December 31, 2020	Years ended December 31, 2019
(b) Service revenue:		
Service sales:		
-Associates	$ 3,304	$ 3,235
-Subsidiaries		
Chang Yuan	1,307,387	1,419,432
Others	47	44
Contracted operating revenue:		
-Associates	18,294	15,814
	$ 1,329,032	$ 1,438,525

	Years ended December 31,	
	2020	2019
(c) Interest income:		
-Associates		
Central Motor	$ 11,423	$ 11,391
Tau Miau	10,327	10,430
Kuotu	8,499	8,989
Taipei Motor	8,439	8,538
Kau Du	7,503	7,620
Nan Du	6,726	6,677
Others	1,178	1,199
-Subsidiaries	1,770	2,008
	$ 55,865	$ 56,852

Interest income is interest between transaction dates and collection dates due to the collection of sales transaction is based on agreed collection period. Starting from March 23, 2020, the annual interest rate was adjusted to 2.025%. For the year ended December 31, 2019, the annual interest rate was 2.275%.

	Years ended December 31,	
	2020	2019
(d) Rental revenue:		
-Associates		
Kuotu	$ 90,516	$ 77,862
Others	28,737	26,582
-Subsidiaries		
Chang Yuan	80,399	71,558
Others	33,833	31,975
-Entities controlled by key management	2,595	3,352
	$ 236,080	$ 211,329

The Company entered into rental contracts based on normal conditions with related parties and collects rental revenue monthly based on the contracts.

	Years ended December 31,	
	2020	2019
(e) Warranty revenue (shown as deductions to warranty costs):		
-Associates		
Kuozui	$ 247,798	$ 192,830
-Subsidiaries	24,478	20,352
-Entities controlled by key management		
TMAP	328,093	605,492
Others	54	2,095
	$ 600,423	$ 820,769

	Years ended December 31,	
	2020	2019
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	$ 111,564	$ 81,360
Others	128,681	122,537
-Subsidiaries		
Carmax	72	32,992
Others	8,370	5,616
-Entities controlled by key management		
TMC	88,440	59,353
Others	5,592	6,096
	$ 342,719	$ 307,954

	Years ended December 31,	
	2020	2019
(g) Miscellaneous income:		
-Associates		
Kuotu	$ 104,313	$ 93,894
Others	140,832	155,254
-Subsidiaries		
Chang Yuan	69,129	123,650
Others	177,761	159,716
-Entities controlled by key management	32,772	40,432
	$ 524,807	$ 572,946

B. Expenditures

	Years ended December 31, 2020	Years ended December 31, 2019
(a) Interest expense:		
-Associates		
Kuozui	$ 11,491	$ 10,939

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from March 23, 2020, the annual interest rate was adjusted to 1.625%. For the year ended December 31, 2019, the annual interest rate was 1.875%.

	Years ended December 31, 2020	Years ended December 31, 2019
(b) Purchase of goods:		
-Associates		
Kuozui	$ 37,407,296	$ 32,390,170
Others	851,593	839,000
-Subsidiaries	2,160,500	2,141,245
-Entities controlled by key management		
TMC	49,480,568	50,513,418
Others	5,493,501	5,599,350
	$ 95,393,458	$ 91,483,183

The Company sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from Toyota Motor Corporation (“TMC”), Toyota Motor Asia Pacific Pte Ltd. (“TMAP”) and Toyota Motor Sales USA (“TMS”). Payment terms are provided in item 7 of Note 13(1) significant transactions information.

	Years ended December 31, 2020	Years ended December 31, 2019
(c) Warranty cost:		
-Associates		
Central Motor	$ 101,947	$ 144,688
Tau Miau	84,117	113,318
Kuotu	98,189	102,509
Nan Du	63,283	81,521
Kau Du	62,971	81,584
Others	70,464	85,757
-Subsidiaries		
Chang Yuan	168,126	154,810
Others	7,814	9,851
-Entities controlled by key management	627	632
	$ 657,538	$ 774,670

	Years ended December 31,	
	2020	2019
(d) Advertisement expense:		
-Associates	$ 29,218	$ 49,396
-Subsidiaries	95,703	56,400
-Entities controlled by key management	6,818	22,388
	$ 131,739	$ 128,184

	Years ended December 31,	
	2020	2019
(e) Freight:		
-Associates		
Fan Tai	$ 183,443	$ 198,881
Yi Tai	78,998	56,256
Others	2,648	2,903
-Subsidiaries	1,416	1,144
	$ 266,505	$ 259,184

C. Receivables from (payables to) related parties

	December 31,	
	2020	2019
(a) Receivables from related parties:		
-Associates		
Central Motor	$ 130,465	$ 448,873
Tau Miau	114,222	340,243
Taipei Motor	89,473	324,251
Kau Du	70,177	264,540
Kuoto	89,133	255,694
Nan Du	71,637	248,266
Others	15,151	38,843
-Subsidiaries		
Chang Yuan	241,458	181,879
Others	53,765	106,503
	$ 875,481	$ 2,209,092

	December 31,	
	2020	2019
(b) Other receivables from related parties:		
-Associates	$ 194,287	$ 131,978
-Subsidiaries	49,436	45,927
-Entities controlled by key management	565	630
	$ 244,288	$ 178,535

	December 31, 2020	December 31, 2019
(c) Payables to related parties:		
-Associates		
Kuozui	$ 250,706	$ 1,137,609
Others	100,339	94,245
-Subsidiaries	190,472	250,292
-Entities controlled by key management		
TMC	4,443,994	4,786,371
Others	393,165	334,493
	$ 5,378,676	$ 6,603,010

	December 31, 2020	December 31, 2019
(d) Other payables		
-Associates	$ 261,952	$ 497,428
-Subsidiaries	104,077	72,167
-Entities controlled by key management	993	123
	$ 367,002	$ 569,718

(3) Endorsements and guarantees provided to related parties:

	December 31, 2020	December 31, 2019
-Subsidiaries	USD 1,500,000	USD 1,500,000
	TWD -	TWD -

(4) Key management remuneration

	Years ended December 31, 2020	Years ended December 31, 2019
Salaries and other short-term employee benefits	$ 406,007	$ 347,297
Post-employment benefits	$ -	$ 2,700

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Details of operating lease agreements are shown in Note 6(8).

(2) Significant contracts signed by the Company as of December 31, 2019 are summarized as follows:

Type of contracts	Party involved	Contract period	Main contents
Distributor agreement	Toyota Motor Corporation	January 1, 2019 to December 31, 2021	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
	Hino Motors, Ltd.	April 1, 2016 to March 31, 2021 (Hino)	
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2018 to May 14, 2021	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) For the appropriation of retained earnings of 2020, please refer to Note 6(18).

(2) On January 1, 2021, the Company participated in the capital increase of the subsidiary, Ho Tai Cyber Connection Co., Ltd. for cash amounting to $300,000.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders.

(2) Financial instruments

A. Financial instruments by category

	December 31,	
	2020	2019
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 500,000	$ 500,000
Financial assets at fair value through other comprehensive income		
Equity instrument	8,050,052	7,804,554
Cash and cash equivalents	4,079,705	1,028,230
Notes receivable (including related parties)	194	8,679
Accounts receivable (including related parties)	910,677	2,244,364
Other receivables	775,166	589,829
Guarantee deposits paid (shown as “other non-current assets”)	22,107	80,873
	$ 14,337,901	$ 12,256,529
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	$ 62,172	$ 149,572
Financial liabilities at amortized cost		
Short-term loans	1,204,156	1,951,407
Accounts payable (including related parties)	8,397,153	8,317,056
Other payables	2,682,059	2,514,857
Guarantee deposits received (shown as “other non-current liabilities”)	818	748
	$ 12,346,358	$ 12,933,640
Lease liability	$ 1,472	$ 7,333

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (please refer to Note 6(2)).

(b) Risk management is carried out by the Company’s finance departments under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Company’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	USD 402	28.4800	$ 11,437
JPY:NTD	JPY 385,511	0.2763	106,517
Financial liabilities			
Monetary items			
USD:NTD	USD 210,105	28.4800	$ 5,983,802
JPY:NTD	JPY 72,771	0.2763	20,107

	December 31, 2019				
	Foreign currency amount (In thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	USD	70	29.9800	$	2,111
JPY:NTD	JPY	14,582	0.2760		4,025
Financial liabilities					
Monetary items					
USD:NTD	USD	234,435	29.9800	$	7,028,358
JPY:NTD	JPY	3,518	0.2760		971
EUR:NTD	EUR	90	34.3900		3,099

i. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2020 and 2019, amounted to $422,820 and $439,563 respectively.

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	Year ended December 31, 2020				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	114	$	-
JPY:NTD	1%		1,065		-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	59,838		-
JPY:NTD	1%		201		-

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 21	$ -
JPY:NTD	1%	40	-
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 70,284	-
JPY:NTD	1%	10	-
EUR:NTD	1%	31	-

Price risk

The Company's financial assets at fair value through profit or loss and available-for-sale financial assets are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.

(b) Credit risk

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

ii. The Company establishes its credit risk management. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

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

(ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are uncollectable and transferred to overdue receivables.

(c) Liquidity risk

i. Cash flow forecasting is performed in the Company's finance department. Finance department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2020	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 1,204,156	$ -	$ -
Accounts payable	8,397,153	-	-
Other payables	2,682,059	-	-
Lease liability	1,474	-	-

Non-derivative financial liabilities:

December 31, 2019	Up to 1 year	1 to 2 years	2 to 3 years
Short-term loans	$ 1,951,407	$ -	$ -
Accounts payable	8,317,056	-	-
Other payables	2,514,857	-	-
Lease liability	5,897	1,474	-

(3) Fair value information

A. The different levels of valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed shares and beneficial certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Company's equity investments with no active markets are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, accounts payable, and other payables, are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Bond investment	$ -	$ 500,000	$ -	$ 500,000
Forward exchange contracts	-	8,347	-	8,347
Equity securities	112,784	-	-	112,784
Financial assets at fair value through other comprehensive income				
Equity securities	7,741,538	-	308,514	8,050,052
	$ 7,854,322	508,347	$ 308514	$ 8,671,183
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 62,171	$ -	$ 62,171

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Bond investment	$ -	$ 500,000	$ -	$ 500,000
Financial assets at fair value through other comprehensive income				
Equity securities	7,524,278	-	280,276	7,804.554
	$ 7,524,278	$ 500,000	$ 280,276	$ 8,304,554
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	$ -	$ 149,572	$ -	$ 149,572

E. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed stocks	Open-end fund
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

F. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Years ended December 31,	
	2020	2019
	Equity securities	Equity securities
At January 1	$ 280,276	$ 251,514
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	28,238	28,762
At December 31	$ 308,514	$ 280,276

H. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 308,514	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 280,276	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of December 31, 2020 and 2019.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows (Information on investees is based solely on the reports of other independent accountants. Inter-company transactions are eliminated in the preparation of the parent company only financial statements.):

A. Significant transactions information

(a) Loans to others: Please refer to table 1.

(b) Provision of endorsements and guarantees to others: Please refer to table 2.

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

(d) Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company's paid-in capital: Please refer to table 4.

(e) Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Please refer to table 5.

(f) Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

(g) Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

(h) Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 7.

(i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2020:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 383,750	2021/1/14~2021/4/14	($ 53,824)	($ 53,824)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 24,000	2021/1/7~2021/3/31	5,772	5,772
Hotai Finance Co., Ltd.	Cross currency swaps	USD 165,000	2021/4/16~2021/9/17	(303,224)	(303,224)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 3,800,000	2023/8/7	(20,889)	(20,889)
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 18,000	2021/6/18	(30,938)	(30,938)

(j) Significant inter-company transactions during the reporting periods: Please refer to table 8.

B. Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 9.

C. Information on investments in Mainland China

(a) Basic information: Please refer to table 10.

(b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.

iii. The amount of property transactions and the amount of the resulting gains or losses: None.

iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.

v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.

vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

Not applicable.

HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Items	Description	Amount
Petty cash		$ 330
Checking accounts		108,283
Demand deposits		
-NTD		157,407
-USD	USD 402 thousand, conversion rate 28.480	11,437
-JPY	JPY 385,511 thousand, conversion rate 0.2763	106,517
Cash equivalents-short-term notes and bills		3,695,731
		$ 4,079,705

HO TAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

Items	Amount		Footnote
	Cost	Net realizable value	
Vehicles	$ 6,055,501	$ 6,055,501	
Parts	684,577	602,453	
Inventory in transit	234,757	234,757	
	6,794,835	$ 6,892,711	
Less: Allowance for inventory obsolescence	(82,124)		
	$ 6,892,711		

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

	Balance at January 1, 2020		Additions		Deductions		Balance at December 31, 2020			Net equity value		
Investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership (%)	Amount	Unit price (In dollars)	Total amount	Collateral pledged
Hozan Investment Co., Ltd.	-	$ 20,714,779	-	$ 2,616,787	-	($ 1,745,547)	-	100.00%	$ 21,586,019	$ -	$ 21,586,656	None
Kuozui Motors, Ltd.	103,800,000	4,315,317	-	463,738	-	(188,374)	103,800,000	30.00%	4,590,681	44	4,605,709	〃
Chang Yuan Motor Co., Ltd.	313,500,000	4,150,614	-	531,136	-	(370,637)	313,500,000	100.00%	4,311,113	14	4,398,769	〃
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	79,397,360	5,834,220	29,500,000	2,118,613	-	-	108,897,360	100.00%	7,952,833	73	7,945,228	〃
Central Motor Co., Ltd.	15,000,000	2,528,177	-	170,088	-	(89,150)	15,000,000	20.00%	2,609,115	118	1,763,664	〃
Ho Tai Development Co., Ltd.	24,710,856	2,616,032	-	416,372	-	(98,843)	24,710,856	45.01%	2,933,561	120	2,967,839	〃
Tau Miau Motor Co., Ltd.	15,153,573	1,501,798	-	168,045	-	(61,842)	15,153,573	20.00%	1,608,001	78	1,176,347	〃
Kau Du Automobile Co., Ltd.	22,161,150	1,361,522	-	75,709	-	(44,322)	22,161,150	20.00%	1,392,909	41	908,289	〃
Carmax Co., Ltd.	22,950,000	1,284,584	-	487,706	-	(392,353)	22,950,000	51.00%	1,379,937	60	1,366,958	〃
Taipei Toyota Motor Co., Ltd.	25,438,987	1,078,674	-	174,466	-	(95,991)	25,438,987	34.81%	1,157,149	54	1,379,334	〃
Kuotu Motor Co., Ltd.	17,553,761	1,124,145	-	150,839	-	(36,162)	17,553,761	20.05%	1,238,822	71	1,240,395	〃
Nan Du Motor Co., Ltd.	14,806,073	1,009,110	-	144,647	-	(67,124)	14,806,073	23.67%	1,086,633	74	1,091,137	〃
Toyota Material Handling Taiwan Ltd.	70,597,690	977,506	-	125,026	-	(121,240)	70,597,690	100.00%	981,292	14	981,292	〃
Eastern Motor Co., Ltd.	33,765,670	378,068	1,636,086	44,942	-	-	35,401,756	100.00%	423,010	12	427,424	〃
Lang Yang Toyota Motor Co., Ltd.	2,000,000	293,845	-	17,785	-	(10,500)	2,000,000	20.00%	301,130	86	171,497	〃
Formosa Flexible Packaging Corp.	1,295,108	357,798	-	23,186	-	(2,160)	1,295,108	44.44%	378,824	304	393,648	〃
Shi-Ho Screw Industrial Co., Ltd.	211,433	124,467	-	7,859	-	(6,343)	211,433	21.14%	125,983	578	122,202	〃
Yokohama Tire Taiwan Co., Ltd.	3,000	111,996	-	30,944	-	(30,000)	3,000	25.00%	112,940	38,887	116,660	〃
AIM Technology Corp.	-	-	1,650,000	16,582		-	1,650,000	15.00%	16,582	10	16,582	〃
Ho Tai Cyber Connection Co., Ltd	-	-	83,000,000	579,060		(27,538)	83,000,000	100.00%	551,522	7	551,522	〃
Smart Design Technology Co., Ltd.	960,961	16,636	-	12,564	-	(980)	960,961	20.00%	28,220	29	28,082	〃
		$ 49,779,288		$ 8,376,094		($ 3,389,106)			$ 54,766,276			

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Items	Balance as of January 1, 2020	Additions	Deductions	Reclassifications	Balance as of December 31, 2020	Guaranteed or Pledged as collateral
Land						
Cost	$ 2,143,310	$ -	$ -	$ -	$ 2,143,310	None
Less: Accumulated impairment	(26,850)	-	-	-	(26,850)	〃
Subtotal	2,116,460				2,116,460	〃
Revaluation gain	931,497	-	-	-	931,497	〃
Buildings and structures						
Cost	1,266,966	2,550	-	-	1,269,516	〃
Revaluation gain	96	-	-	-	96	〃
Utility equipment	130,052	894	-	-	130,946	〃
Office equipment	542,237	24,698	(12,591	6,655	560,999	〃
Others	13,236	2,501	(732)	-	15,005	〃
Rental assets	78,612	-	-	-	78,612	〃
Construction in progress	341,682	180,902	-	(517,110)	5,474	〃
	$ 5,420,838	$ 211,545	($ 13,323)	($ 510,455)	$ 5,108,605	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

Items	Balance as of January 1, 2020	Additions	Deductions	Reclassifications	Balance as of December 31, 2020	Footnote
Buildings and structures	$ 747,485	$ 36,132	$ -	$ -	$ 783,617	
Utility equipment	128,207	464	-	-	128,671	
Office equipment	437,532	27,428	(9,694)	-	455,466	
Others	6,059	1,740	(732)	-	7,067	
Rental assets	78,338	44	-	-	78,382	
	$ 1,397,621	$ 66,008	($ 10,246)	$ -	$ 1,453,203	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

Items	Balance as of January 1, 2020	Additions	Deductions	Reclassifications	Balance as of December 31, 2020	Guaranteed or Pledged as collateral
Land						
Cost	$ 755,900	$ -	$ -	$ -	$ 755,900	None
Revaluation gain	742,263	-	-	-	742,263	〃
Buildings and structures						
Cost	977,322	149	-	510,445	1,487,926	〃
Revaluation gain	11,983	-	-	-	11,983	〃
	$ 2,487,468	$ 149	$ -	($ 510,455)	$ 2,998,072	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

Items	Balance as of January 1, 2020	Additions	Deductions	Reclassifications	Balance as of December 31, 2020	Footnote
Buildings and structures	$ 521,725	$ 25,119	$ -	$ -	$ 546,844	

HO TAI MOTOR CO., LTD.
STATEMENT OF SHORT-TERM LOANS
December 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

Type	Description	Balance as of December 31, 2020	Contract period	Range of interest rate (%)	Loans Commitments	Pledges or collaterals
Unsecured borrowings	MUFG Bank, Ltd., Taipei Branch (foreign currency)	$ 38,123	2020/12/15~2021/1/15	0.74%	$ 1,708,800	None
	MUFG Bank, Ltd., Taipei Branch (foreign currency)	313,280	2020/12/15~2021/1/15	0.74%	1,708,800	〃
	Sumitomo Mitsui Banking Corporation Taipei Branch (foreign currency)	541,120	2020/12/15~2021/1/15	0.70%	541,120	〃
	Mizuho Bank Ltd. (foreign currency)	61,009	2020/12/15~2021/1/15	0.76%	6,000,000	〃
	Citibank Taiwan, Ltd. (foreign currency)	250,624	2020/12/15~2021/1/15	0.70%	911,360	〃
		$ 1,204,156				

Note: Interest rate between 0.70%~0.76%.

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Items	Quantity	Amount	Footnote
Revenue from contracts with customers:			
Sales revenue of vehicles			
Sedan	130,211 cars	$ 123,750,770	
Others	928 cars	1,349,734	
Sales revenue of parts		12,376,883	
Others		1,351,174	
Subtotal		138,829,161	
Sales returns and allowance		(2,776,718)	
		$ 136,052,443	

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

Items	Description	Amount	Footnote
Initial inventories		$ 7,298,959	
Add: Merchandise purchase		122,863,670	
Others		862,062	
Less: Ending inventories		(6,974,835)	
Reclassified to fixed assets and expenses		(5,282)	
Loss on physical inventory observation		(37)	
Others		(5,420)	
Operating costs		$ 124,039,117	

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HO TAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Items	Description	Amount	Footnote
Wages and salaries		$ 611,641	Including pension costs
Advertisement expense		712,493	
Freight		298,635	
Miscellaneous		494,693	The amount of each item in others does not exceed 5% of the account balance.
		$ 2,117,462	

HO TAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

Items	Description	Amount	Footnote
Wages and salaries		$ 1,011,719	Including pension costs
Directors' remuneration		350,874	
Miscellaneous disbursements		54,744	
Others		333,705	The amount of each item in others does not exceed 5% of the account balance.
		$ 1,751,042	

HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

By function / By nature	Years ended December 31,					
	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense						
Wages and salaries	$ -	$ 1,594,959	$ 1,594,959	$ -	$ 1,426,229	$ 1,426,229
Labour and health insurance fees	-	65,768	65,768	-	64,101	64,101
Pension costs	-	28,401	28,401	-	27,704	27,704
Directors' remuneration	-	350,874	350,874	-	300,134	300,134
Other employee benefit expenses	-	106,999	106,999	-	100,215	100,215
Subtotal	-	2,147,001	2,147,001	-	1,918,383	1,918,383
Depreciation	-	96,972	96,972	-	97,423	97,423
Amortization	-	-	-	-	-	-

Note:

A. As at December 31, 2020 and 2019, the Company had 565 and 562 employees, including 12 and 11 non-employee directors, respectively.

B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information：

(a) Average employee benefit expense in current year was $3,248 ((Total employee benefit expense in current year–Total directors' compensation in current year)/(Number of employees in current year–Number of non-employee directors in current year)).
Average employee benefit expense in previous year was $2,937 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/(Number of employees in previous year – Number of non-employee directors in previous year)).

(b) Average employee salaries in current year was $2,884 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).
Average employee salaries in previous year was $2,588 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).

(c) Adjustments of average employee salaries was 11.44% ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).

HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

(d) The Company has no supervisors' remuneration as it had set up an audit committee.

(e) The Company's salary and remuneration policy includes salary, bonus and employees' compensation. Salary shall be paid according to the Company's compensation regulation for employees. Bonus and employees' compensation are assessed according to the performance assessment regulation for employee. Different grades of performance appraisal are assessed by taking into account the overall operating performance of the Company, the future operational risks and development trends of the industry as well as the achievement rate of individual performance to link the performance bonus and employees' compensation. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation in 1%.

(f) The emolument of the managers of the Company shall be reviewed by the remuneration committee and the Board of Directors of the Company, and the emolument system was reviewed timely based on the actual operating situation and relevant laws and regulations to balance the Company's sustainable operation and risk management.

(g) In accordance with the Articles of Incorporation of the Company, the Board of Directors shall be authorized to determine the emolument according to the general pay levels in the industry. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as directors' remuneration not higher than 2%, while independent directors shall not participate in the distribution of remuneration. The attendance fee shall be paid according to the attendance of the Board of Directors.