



和泰集團
與美好台灣同行



和泰集團
Hotai Group

和泰汽車股份有限公司
Hotai Motor Co., Ltd.

Annual Report 2021

(For the convenience of readers and for information purposes only, the annual report has been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.)

Hotai Motor annual report is available at:

Company website: <http://pressroom.hotaimotor.tw/zh/>

Taiwan Stock Exchange Market Observation Post System: <http://mops.twse.com.tw>

Stock code: 2207

Published on May 31, 2022

一、Spokesman, Acting Spokesman

Spokesman: Liu, Sung Shan

Title: Chief Officer

Telephone Number: (02)2506-2121(representative number)

E-mail Address: SIMON@hotaimotor.com.tw

Acting Spokesman: Xie, Qin Yun

Title: Manager

Telephone Number: (02)2506-2121(representative number)

E-mail Address: CECE@hotaimotor.com.tw

二、Headquarters, Branch Offices

Headquarters: 8F-14F, No. 121, Songjiang Rd., Zhongshan Dist., Taipei City 10485

Telephone Number: (02)2506-2121(representative number)

Xinzhuang Automotive Complex: No. 10, Mingzhong St., Xinzhuang Dist., New Taipei City 24212

Telephone Number: (02)2992-1131(representative number)

Yangmei Logistic Center: No. 560, Gaoshi Rd., Yangmei Dist., Taoyuan City 32668

Telephone Number: (03)488-2577(representative number)

三、Stock Transfer Agent

Name: President Securities Corporation Shareholder Services Department

Address: Basement level 1, No. 8, Dongxing Rd., Songshan Dist., Taipei City 10570

Telephone Number: 02-2747-8266

Website: <http://www.pscnet.com.tw/>

四、The certified public accountants who duly audited the annual financial report for the most recent fiscal year

Auditors: Wu, Yu-Lung and Wang, Fang-Yu

Accounting Firm: PricewaterhouseCoopers Taiwan

Address: 27F., No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012

Telephone Number: (02)2729-6666(representative number)

Website: <http://www.pwc.com/tw/zh>

五、The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: N/A

六、The address of the company's website: <http://www.hotaimotor.com.tw>

TABLE OF CONTENTS

I. Letter to Shareholders	001
1. Operating Performance in 2021	005
2. Outline of 2022 Business Plan	006
3. Future Development Strategies	008
4. Impact of External Competition, Regulatory Environment and Overall Operational Environment	009
II. Corporate Profile	011
1. Incorporation	012
2. Company Timeline	012
III. Corporate Governance	021
1. Organization Structure	022
2. Directors, President, Vice Presidents, Chief Officer and Department and Divisional Executive Officers	025
3. Corporate Governance	050
4. Audit Fees	092
5. Disclosure of Change of Auditors	093
6. Disclosure of the Company's chairman, president, chief financial officer or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates within the last year	093
7. Changes in Shareholding of Directors, Executive Officers, and Major Shareholders	094
8. Relationship among Top 10 Shareholders	096
9. Share Ownership in Affiliates	097
IV. Capital Overview	098
1. Capital and Shares	099
2. Corporate Bonds	106
3. Preferred Stocks	106
4. Global Depository Receipts	106
5. Employee Stock Options	106
6. Employee Restricted Stocks	106
7. Issuance of New Shares in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company	106
8. Financing Plans and Implementation	106
V. Operational Highlights	107
1. Business Activities	108
2. Market and Sales Overview	112
3. Key Statistics of Group Employees for the last Two Years and as of the Date of the Annual Report	122
4. Environmental Costs	122
5. Labor Relations	122
6. Information Security Management	126

TABLE OF CONTENTS

7. Material Agreements	129
VI. Financial Information	131
1. Condensed Balance Sheet and Statement of Comprehensive Income for the Last Five Years	132
2. Financial Analysis for the Last Five Years	140
3. The Audit Committee report regarding the most recent annual financial report	144
4. Consolidated financial statements and report of independent accountants	145
5. Parent company only financial statements and report of independent accountants	282
6. If the Company or any of its affiliates has experienced financial or cash flow difficulties within the latest fiscal year or as of the date of this Annual Report, describe the financial impact of such events on the Company	372
VII. Financial Status, Operating Results and Risk Management	373
1. Financial Condition	374
2. Financial Performance	375
3. Cash Flows	376
4. Major Capital Expenditures and Impact on Financial Condition	377
5. Investment Policy of the Latest Fiscal Year, Reasons for Gains or Losses, Improvements and Investment Plan for the Coming Year	381
6. Risk Factors Provide Evaluations and Analysis of the Following Items over the Latest Fiscal Year and as of the Date of the Annual Report	382
7. Other Material Disclosures	385
VIII. Specific Notes	386
1. Overview of Group Companies	387
2. Private placement of securities in the most recent fiscal year and as of the date of the Annual Report	402
3. Shareholding or disposition of shares of the Company by any subsidiaries in the most recent fiscal year and as of the date of the Annual Report	402
4. Other required disclosures	402

壹、致股東報告書

Letter to Shareholders



I. Letter to Shareholders

2021 Operational Highlights

In Taiwan, consumer purchasing took a hit due to restrictions imposed under the level three COVID alert when cases started to surge in May 2021. However, new business opportunities arising from working remotely, strong semiconductor export demand in the country, as well as the inherent advantages of the industry continued to boost economic growth. The annual growth rate last year was at 6.45%, up by 3.09 percentage points compared to the revised 3.36% in 2020. Despite the double impact of pandemic outbreaks and automotive chip shortage in the global supply chain, market sentiment improved when the government lowered the alert level in July as steps taken to control the outbreaks have proven successful. In 2021, the total sales in the automotive market were 449,859 units, which have reached 98.3% of the volume of 2020.

In response to a rapidly changing market, Hotai introduced all-new car models, TOYOTA GR YARIS and LEXUS UX 300e, and redesigned models, TOYOTA VIOS, YARIS, CAMRY, SIENNA, GR SUPRA, PRIUS PHV, COROLLA SPORT, PRADO, HILUX, COROLLA CROSS, RAV4, and LEXUS LS, ES, NX series in 2021 with the support of the parent company, Toyota Motor Corporation (“TMC”). We also became the first among commercial automotive brands to introduce brand new Class 6 3.49-ton commercial trucks HINO 200 series that meet the government’s environmental and vehicle safety regulations. By the joint effort of our commercial vehicle and passenger car dealers, the total number of registered vehicles in 2021 was 156 thousand units, which accounted for 34.7% of the market share, putting us at the top among automakers in Taiwan for the 20th consecutive year. In addition, TOYOTA continues to be the winner in both domestic-made and imported vehicles. And while LEXUS had 20,584 units of registered vehicles and remains the best-selling SUV among luxury brands, HINO’s full-size commercial vehicle sales continues to rank top for 12 consecutive years and occupies the commercial vehicle market’s leading spot, setting new records for Hotai’s market presence in the commercial vehicles sector. All three brands delivered startling records in automotive sales in 2021.

Since the Company was founded, it has accumulated extensive experience in product planning, marketing and customer service, and has continued to grow steadily and invested in diversified operations. In addition to our core business—vehicle sales and services, the Company has proactively expanded the value chain to involve other automobile related business, which puts us in a strong position to drive continuous innovation and growth. Some examples are as follows. Hotai Finance Co., Ltd.’s installment undertaking reached over NT\$100 billion and remained the top-ranked company in the auto financing market last year. Hotai Finance also set up a subsidiary, Hotai Innovation Marketing Co., with the focus to develop installment financing for full-size commercial vehicles, and reinforce risk management measures and improve operational effectiveness, while actively pursuing opportunities and establishing their presence in the renewable energy sector to expand its business scope. On top of integrating short-term rentals provided by Hoing Mobility Service Co., Ltd. under the brand, *iRent*, and shared transportation service, *yoxi*, Ho Tai Cyber Connection Co., Ltd. has also been working with long-term leasing market leader, Hotai Leasing Co., Ltd., to build a comprehensive mobility service and an inclusive ecosystem of Mobility-as-a-Service (MaaS) with the goal to launch a service platform that consolidates connected mobility, data, payment, and subscription solutions using group resources. Hotai Coachwork Manufacturing Co., Ltd. targets the commercial vehicles market, offering streamlined service to customers from ordering a car to installing truck bed extenders which allows owners to quickly put the new vehicles to use in

I. Letter to Shareholders

their business operations. Carmax Co., Ltd. (“Carmax”), a professional car accessories provider, was joined by another car accessory company in the network, Toyota Customizing & Development (TCD), to develop internet of vehicles (IoV) solutions and premium car accessories, which generated a record high of over NT\$7 billion in revenues last year. The collaboration aims to develop new business models for IoVs and next generation AI services to drive new growth momentum for Carmax, en route to becoming a multi-billion dollar enterprise. Hotai Insurance Co., Ltd. (“Hotai Insurance”) provides a quality one-stop car insurance service to customers and delivered a remarkable record of over ten billion in premium income. In 2021, Hotai Insurance was among the winners of the “Best Companies to Work for in Asia” awards by Asia’s most authoritative publication for human resources, *HR Asia*, and became the first general insurance company in the country to have received such honor. Moving forward, innovation, quality, passion, and sustainability will continue to be the four key areas of growth for Hotai Insurance.

The Group began investing in Toyota China since 1997 and it has been over 20 years now. The Company’s China operation headquarters, Hotong Motor Investment Co., Ltd., has established an operations structure that integrates resources to reduce the Group’s operating costs and increases the overall competitive advantage of the Group, which helps expand our business scope in China. In 2021, the total market sales in China achieved 26.275 million units, a 3.8% increase from the year before, and Hotai’s recognized revenues from businesses in mainland China reached another record high of NT\$135 million and continued to impress with high profits.

2022 Business Outlook

The resumption of consumer spending, ongoing investments by local and foreign businesses in Taiwan, and continuation of the global trend of digital transformation have drummed up domestic and foreign demand, which is projected to provide a consistent boost to Taiwan’s economy this year. And factors such as the extension of the policy which allows car buyers to trade in their old vehicles for reduced excise taxes until January 2026 and domestic travel boom are expected to keep Taiwan’s automotive market active. On the other hand, without a significant solution to the global chip shortage, the automotive market is projected to achieve around 460,000 units in 2022. As we continue to pursue transformation and innovation in providing products and services above and beyond customers’ expectations, we are also enhancing the Group’s value chain as we gear up to achieve new sales record in the passenger vehicles segment for a 21st consecutive year and in the commercial vehicles segment for a second year.

While pursuing sales growth, we also actively support Toyota Motor Corporation’s environmental sustainability policies, promoting various models of electric vehicles and partner with affiliates and dealers to create a variety of corporate sustainability events that are centered around “People, Cars and the Environment” to give back to the community and the environment as we move towards the goal of carbon neutrality. Hotai Motor remains committed to our corporate social responsibility (CSR) and in the aspects of environment, social and governance (ESG), with the integration of the Group’s public welfare resources, we are on the way to becoming the benchmark of CSR practices in the automotive industry.

I. Letter to Shareholders

Faced with a fast-changing auto industry and shifting social, political and economic climate, our top priority has always been the needs of our customers. Our motto—Think Amazing, Do Amazing (Things)—propels us to remain vigilant amid market volatility and maintain competitive advantages. Through innovation and anticipating future industry trends, as well as continuous partnership with Toyota Motor Company (TMC) and our affiliates to create group synergy, we are well-positioned to deliver consumers with premium mobility products and services.

We are sincerely grateful to our shareholders for your continued support and encouragement.

A handwritten signature in black ink, appearing to be 'T. Toyota', written in a cursive, stylized manner.

Chairman

I. Letter to Shareholders

1.1 Operating Performance in 2021

1.1.1 Operating Performance

Unit: In NT\$ Thousands

Item		2021	2020
Revenues		246,917,024	231,813,269
Income Before Tax		24,970,659	21,124,885
Net Income		19,558,090	16,535,210
Net Income	Parent	16,210,758	13,848,870
Attributable to:	Non-controlling interest	3,347,332	2,686,340
Earnings Per Share Attributable to the Parent		29.68	25.36

1.1.2 Profitability Analysis

Item	2021	2020
Net Profit Ratio (%)	9.62%	8.49%
Return on Assets (%)	6.14%	6.09%
Return on Equity (%)	21.93%	20.73%

1.1.3 Comparison of Annual Number of Registered Vehicles of Hotai and its Main Competitors

(The figures of Hotai Motor's registered vehicles include Toyota, Lexus, and Hino)

Ranking	Company	Brands	2021	Market Share	2020	Market Share
1	Hotai Motor Co., Ltd.	TOYOTA, LEXUS, and HINO	156,072	34.69%	152,895	33.42%
2	China Motor Corporation	MITSUBISHI CMC	51,920	11.54%	52,280	11.40%
3	Yulon Motors Co, Ltd.	NISSAN INFINITI	51,920	11.54%	52,280	11.40%
4	Honda Taiwan Co., Ltd.	HONDA	28,550	6.35%	30,426	6.65%
5	Mercedes-Benz Taiwan	MERCEDES BENZ	28,587	6.35%	30,160	6.59%
6	Ford Lio Ho Motor	FORD	30,379	6.75%	28,887	6.31%
7	BMW Taiwan	BMW	18,490	4.11%	18,303	4.00%
8	Mazda Motor Taiwan	MAZDA	14,533	3.23%	16,255	3.55%
9	Volkswagen Taiwan	VW	13,132	2.92%	13,212	2.89%

I. Letter to Shareholders

10	Hyundai Taiwan	HYUNDAI	13,419	2.98%	12,391	2.71%
Total		-	449,859	100%	457,435	100%

1.2 Outline of 2022 Business Plan

1.2.1 Business Objectives

Keep alert—anticipate the future and stay vigilant

Keep leading—strive for progress to maintain competitive advantages

Keep doing amazing (things)—pursue innovation to gain future business opportunities

(1) Be Proactive and Maintain Advantages and Momentum

	Vehicle	Service
Toyota	Anticipate new trends to make gains in dominant market leadership position	Upgrade service capabilities to become the top provider of comprehensive automotive services
Lexus	25 Years of Lexus—spearhead the industry revolution and develop a blueprint for the new era	25 and Beyond—innovate and transform to create AI-powered customer experience
Commercial Vehicle	Transcend 70 years of history to recreate momentum	Refine services to push beyond the limits

(2) Anticipate Changing Market Conditions and Develop New Business Opportunities for the Group

- Hotai Finance: tap into new business areas and regions to obtain a commanding leadership position in the market.
- Hotai Leasing: diversify leasing services to fulfill the needs of customers in every scenario.
- CarMax: optimize IoV solutions and develop new AI products to streamline with future mobility services.
- Chang Yuan Motor: accelerate the establishment of new business locations to ramp up sales and service capabilities.
- Toyota Material Handling Taiwan: proactively develop car leasing, used cars and logistics business to deliver high profits.
- Hotong: intentionally invest in talent transformation to adapt to the changing business environment and expand peripheral business to divert operational risks.
- Hotai Insurance: enhance organizational structure and corporate image across the board, and treat customers fairly to achieve customer satisfaction.
- Hotai Cyber Connection: increase mobility service capabilities, refine the online

I. Letter to Shareholders

business platform, and develop new e-commerce business using precision marketing and rewards programs.

- Hotai Coachwork Manufacturing Co., Ltd.: brand new coachwork factory begins production to draw a sea of opportunities in the auto body business.

(3) Innovation Reimagined to Inspire a Fresh Outlook

- Expand on the corporate vision of “Think Amazing” by developing top talents to drive business growth for the Group.
- Strengthen the Group’s cybersecurity defense to be the pillars of our data environment.
- Upgrade data-driven MaaS business and integrate the value chain to build a digital service ecosystem to gain dominant market presence in the subscription economy.

(4) Facilitate Sustainable Development of Hotai

- Move towards becoming carbon neutral by implementing supplier environmental sustainability policies and reducing energy consumption and carbon footprints.
- Fulfill our corporate social responsibility by actively engaging in ESG practices and building Hotai Group’s image in social engagement.
- Perfect corporate governance and improve compliance culture to create a blueprint 3.0 for our corporate governance.

1.2.2 Sales Forecast

(1) Passenger Vehicles Market

Due to unfavorable factors such as the resurgence of COVID outbreaks and automotive chip shortage impacting the global supply chain, the automotive market recorded 449,859 units in sales in 2021 (98.3% of the volume in 2020).

As we enter 2022, major economies have continued to recover and issues revolving around the shortages of chips and accessories should begin to ease. As a result, the financial aspect of the overall automotive market is expected to be comparable to its performance in 2021. Additionally, driven by favorable factors such as the launch of new products and ramped up sales strategies by competitors, absent other events, the automotive market is projected to reach 460,000 units this year, which is 102% of the volume from a year before.

This year, the respective sales targets for Toyota and Lexus are 130,000 units and 25,000 units, and the overall sales target for passenger vehicles is 155,000 units, representing a market share of 33.7%.

(2) Commercial Vehicles Market

New emission standards for Class 6 diesel trucks were implemented in 2021 and accelerated a wave of Class 5 vehicle purchasing. The commercial vehicles market size reached 28,378 units, which increased by 24% from 2020, hitting an all-time high.

This year, the demand for logistics and transportation is projected to remain steady. However, due to early reactions to demand and the uncertainty surrounding the global

I. Letter to Shareholders

chip shortage impacting vehicle supply, the commercial vehicles market sales are projected to be around 13,800 units in 2022, which is 90% of the volume in 2021. At the same time, 3.49-ton and 5-ton truck sales are projected to be around 10,000 units, which is 76% of the volume in 2021.

In 2021, we were able to achieve the leading position in the commercial vehicles market with a record-high number of 9,422 units. Moving forward, we will strive to maintain the leading position of our commercial vehicles in the market. The sales target of commercial vehicles in 2022 is 9,000 units, representing 37.8% of the market share.

(3) Car Leasing Market

As vaccination coverage widens, the global pandemic is expected to ease gradually. The overall economic climate of the industry and new vehicles market are projected to grow, stimulating growth for the new car leasing market and corporate leasing market. With the continuous development of vehicle fuel economy and emission regulations pushing automakers to introduce electric vehicles, the car rental, leasing, and installment financing segments are projected to maintain the biggest market shares in the automotive industry. This year, we expect sales to peak and set new highs in the car leasing market.

(4) Installment Financing Market

Despite uncertainties surrounding the auto chip shortage and new COVID outbreaks, the 5-year extension of government's subsidy policy of vehicle trade-ins for reduced excise taxes ensures an influx of demand for new vehicles. In addition, vehicle brands distributed by Hotai Motor are having increasingly larger market presence, driving the business's installment sales. The current upward trend in the overall installment financing market will likely create a higher demand for auto installment programs this year as we continue to lead the automotive financing market.

(5) General Insurance Market

In 2022, domestic economic activities will be largely influenced by uncertainties surrounding the pandemic and accelerating inflation, squeezing export markets. Furthermore, auto chip shortage and disrupted global supply chain are impacting automakers' ability to deliver new vehicles, which indirectly affects the auto insurance market. On the upside, the mobile phone insurance market will likely see an increase in activity since coverage can now be purchased for older cellphone models as well. In addition, investments made by corporations in response to the government's green energy policy and public infrastructure projects could bring potential commercial insurance business opportunities. As we look to assess the climate of the property insurance market, we predict with cautious optimism that property insurance premium will see a consistent growth in 2022. It is projected that the Company's direct premium income this year will reach NT\$ 12.5 billion, which is moderately higher than the overall market average in 2021.

1.3 Future Development Strategies

- Out-of-the-box sales thinking; break through the sales limit

I. Letter to Shareholders

- Innovate customer service to create the most trusted brand
- Utilize the advantages of Group synergy and enhance value chain effectiveness
- Expand Group operations and implement Group management

1.4 Impact of External Competition, Regulatory Environment and Overall Operational Environment

In Taiwan, consumer purchasing took a hit due to restrictions imposed under the level three COVID alert when cases started to surge in May 2021. However, new business opportunities arising from working remotely, strong semiconductor export demand in the country, as well as the inherent advantages of the industry continued to boost economic growth. The annual growth rate last year was at 6.45%, up by 3.09 percentage points compared to the revised 3.36% in 2020. Despite the double impact of pandemic outbreaks and automotive chip shortage in the global supply chain, market sentiment improved when the government lowered the alert level in July as steps taken to control the outbreaks have proven successful. In 2021, the total sales in the automotive market were 449,859 units, which have reached 98.3% of the volume of 2020.

In response to a rapidly changing market, Hotal introduced all-new car models, TOYOTA GR YARIS and LEXUS UX 300e, and redesigned models, TOYOTA VIOS, YARIS, CAMRY, SIENNA, GR SUPRA, PRIUS PHV, COROLLA SPORT, PRADO, HILUX, COROLLA CROSS, RAV4, and LEXUS LS, ES, NX series in 2021 with the support of the parent company, Toyota Motor Corporation (“TMC”). We also became the first among commercial automotive brands to introduce brand new Class 6 3.49-ton commercial trucks HINO 200 series that meet the government’s environmental and vehicle safety regulations. By the joint effort of our commercial vehicle and passenger car dealers, the total number of registered vehicles in 2021 was 156 thousand units, which accounted for 34.7% of the market share, putting us at the top among automakers in Taiwan for the 20th consecutive year. In addition, TOYOTA continues to be the winner in both domestic-made and imported vehicles. And while LEXUS had 20,584 units of registered vehicles and remains the best-selling SUV among luxury brands, HINO’s full-size commercial vehicle sales continues to rank top for 12 consecutive years and occupies the commercial vehicle market’s leading spot, setting new records for Hotal’s market presence in the commercial vehicles sector. All three brands delivered startling records in automotive sales in 2021.

The resumption of consumer spending, ongoing investments by local and foreign businesses in Taiwan, and continuation of the global trend of digital transformation have drummed up domestic and foreign demand, which is projected to provide a consistent boost to Taiwan’s economy this year. And factors such as the extension of the policy which allows car buyers to trade in their old vehicles for reduced excise taxes until January 2026 and domestic travel boom are expected to keep Taiwan’s automotive market active. On the other hand, without a significant solution to the global chip shortage, the automotive market is projected to achieve around 460,000 units in 2022. As we continue to pursue transformation and innovation in providing products and services above and beyond customers’ expectations, we are also enhancing the Group’s value chain as we gear up to achieve new sales record in the passenger vehicles segment for a 21st consecutive year and in the commercial vehicles segment for a

I. Letter to Shareholders

second year.

While pursuing sales growth, we also actively support Toyota Motor Corporation's environmental sustainability policies, promoting various models of electric vehicles and partner with affiliates and dealers to create a variety of corporate sustainability events that are centered around "People, Cars and the Environment" to give back to the community and the environment as we move towards the goal of carbon neutrality. Hotai Motor remains committed to our corporate social responsibility (CSR) and in the aspects of environment, social and governance (ESG), with the integration of the Group's public welfare resources, we are on the way to becoming the benchmark of CSR practices in the automotive industry.

Faced with a fast-changing auto industry and shifting social, political and economic climate, our top priority has always been the needs of our customers. Our motto—Think Amazing, Do Amazing (Things)—propels us to remain vigilant amid market volatility and maintain competitive advantages. Through innovation and ongoing monitoring of future industry trends, as well as continuous partnership with Toyota Motor Company (TMC) and our affiliates to create group synergy, we are well-positioned to deliver consumers with premium mobility products and services.

貳、公司簡介

Company Profile



II. Corporate Overview

2.1 Incorporation

Date of Incorporation: September 1, 1947.

2.2 Company Timeline

1947	September	Hotai Automobile Co. is founded by Mr. Huang, Lieh-Huo, along with a few others, having NT\$810 thousand registered capital and 10 employees.
1949		Hotai becomes a distributor for TOYOTA vehicle and Yokohama Tire.
1952		Hotai becomes a distributor for Hino Motors Ltd.
1955	April	Restructures as Hotai Trading Co., Ltd., having 30 employees.
1968	January	Restructures as Hotai Motor Co., Ltd.
1970	Early 1970	Hotai becomes a distributor for Ford Lio Ho Motor Company.
1971	July	Hotai begins implementing Management by Objectives
1973	February	Hotai discontinues as a distributor for Ford Lio Ho Motor Company.
1974	September	Hotai, together with Wei Chuan Foods Corporation and affiliates Ho Tai Development Co., Ltd. and Formosa Flexible Packaging Corp., collectively contributes NT\$25 million to establish the Chun Ching Social Welfare Foundation.
1979	May	Hotai becomes a distributor for Morita Corporation selling fire engine, fire apparatus and equipment.
1982	January	Hotai becomes a dealer for Sanfu Motor Co., Ltd.
1984	July	Hotai becomes a dealer for Kuozui Motors Ltd. selling all vehicles manufactured by Kuozui Motors Ltd.
1985	April	Hotai discontinues as a dealer for Sanfu Motor Co. Ltd.
1986	November	Due to the demolition of the office building of its original headquarters at No. 127, Songjiang Road, the company relocates to the 11 th to 14 th floor of the office building at No. 121, Songjiang Road.
1988	May	Hotai signs contract with the top 8 convertible dealers in Taiwan.
	September	Hotai begins selling domestic TOYOTA ZACE, a multi-purpose vehicle, in Taiwan
	December	Hotai signs sales contracts with TMC and Toyota Motor Sales, USA
1989	May	Domestically made TOYOTA CORONA launched in Taiwan.
1990	October	Hotai becomes a public company approved by the Ministry of Finance.
1994	December	Hotai hits its first 100,000-unit annual sales record to set the foundation for a distribution network that achieves a minimum of 100,000 units of sales per year.
1996	September	Hotai becomes a listed company on the Taiwan Stock Exchange
1997	February	Hotai begins trading its shares on the Taiwan Stock Exchange
	April	As part of the conditions to join the World Trade Organization (WTO), the government signs contract with the Japanese government to permit limited imports of small vehicles from Japan. Hotai introduces Japanese imported small vehicles, TOYOTA RAV4 and TOYOTA CELICA, which are officially launched in Taiwan.
1999	June	Hotai Financing and Hotai Leasing are founded.
2000	March	Yangmei Logistic Center begins operations.

II. Corporate Overview

2001	January	TOYOTA certified pre-owned vehicles are officially introduced to the market.
2002	July	Hotai Yangmei Logistic Center receives ISO 14001 certification.
	November	Rated one of the outstanding manufacturers under the Assist Industries Establishing Self-Regulation Project by the Taiwan Fair Trade Commission
2003	January	Chang Yuan Motor Co., Ltd./Toyota Material Handling Taiwan Ltd. established.
	October	Receives the 14 th National Quality Award.
	November	Kuozui Motors Ltd. reports production of its one millionth vehicle.
2004	February	Top 8 TOYOTA dealers receive ISO 14001 joint certification.
	December	Opening ceremony for Songjiang sales office of Hozhi Motor Co., Ltd, as a LEXUS CPO dealer.
2005	February	Hotai listed by the Taiwan Stock Exchange among the Taiwan Mid-Cap 100 Index stocks.
	October	Sponsors the 2005 TOYOTA Love Life Walk event.
		Receives the 4 th CommonWealth Magazine Service Excellence Award.
	November	The Parts Business Division passes the Quality Logistics Operating System Assessment by the Department of Commerce of the Ministry of Economics.
2006	August	LEXUS, in collaboration with ABN AMRO Bank, introduces the first LEXUS credit card in Asia.
2007	January	Ranks highest in the J.D. Power Asia Pacific 2006 IQS and APEAL Study.
	February	Chongqing Heling Lexus Motor Sales & Service Co., Ltd. begins operations.
	October	Ranks No.1 in the auto sales industry in Taiwan and named the Most Admired Company in the service industry according to the 2007 Corporate Reputation Survey conducted by CommonWealth Magazine.
2008	April	Increases its shareholding in Kuozui Motors Ltd. from 14.22% to 30%.
		Receives the 4 th CSR Award by Global Views Monthly.
	October	Honored with the National Human Resources Development Innovation Award.
	December	Hotai receives the 6 th Annual Service Excellence Award by Global Vision Monthly.
2010	March	Founder Huang, Lieh-Huo passed away.
	June	Hotai's management team changes, naming Huang, Nan-Kuang as the Chairman, Hirako Hirokazu as the Vice Chairman, Su, Chwen-Shing as the President of Hotai Motor Co., Ltd. and Su, Yann-Huei as the Group Chairman.
2011	January	CarMax enters China's auto accessory market.
	March	Hotai and its top 8 dealers, affiliates and foundation jointly donate NT\$30 million aiding the Tohoku Earthquake & Tsunami Relief.
	April	CarMax Autotech (Shanghai) Co., Ltd. grand opening.
	September	TOYOTA sales in Taiwan reaches two million vehicles.
	November	Hotai donates the first Hotai mobile blood bus.
	December	Horung Motors Co., Ltd. incorporated.
2012	February	Debuts the first domestically made TOYOTA CAMRY Hybrid.
	May	Production of Kuozui Motors Ltd. reaches two million vehicles.
	August	Hotai donates a second mobile blood bus and hosts the first Hotai Blood Donor Month.

II. Corporate Overview

2013	September	Hotai donates 8,000 sets of school zone crossing guard equipment to public elementary schools in New Taipei City.
	November	J-TACS invests in the equities of CarMax Co. Ltd.
	March	TOYOTA introduces its all-in-one navigation app, City Driver, the first mobile app for drivers in Taiwan auto industry.
	June	Hotai recognized by the Environmental Protection Administration as one of the companies with prominent effects as a result of implementing voluntary CO2 emission reduction in the Taiwan auto industry
		Hotai Group incorporates Hojung Motors Co., Ltd., consolidating the CPO market in the Taichung, Changhua and Nantou area.
	August	Hotai donates a 3 rd mobile blood bus and sponsors Hotai's National Blood Donor Month.
	September	Hotai donates 15,000 sets of school zone crossing guard equipment to public elementary schools in Taichung City, Tainan City and Kaohsiung City.
	October	LEXUS launches the Lexus+ app exclusively for Lexus owners.
	November	Hotai receives the Annual ROC Enterprise Environment Protection Award from the Environmental Protection Administration for two years in a row.
2014	January	Hotai participates in the guide dog training program, donating 5 training vehicles and NT\$1 million trainer education funds to the Taiwan Guide Dog Association.
	March	Hotai receives the Special Distinction Award in Business Next Magazine's Top Green Brands Survey and ranks highest in the auto industry.
	June	Hotai Leasing Co., Ltd. becomes the first in the industry to provide 24-hour self-service car rental in Taiwan.
	July	Kuozui Motors Ltd. production of Hino heavy-duty trucks reaches 100 thousand vehicles.
	August	Hotai and Kuozui Group make NT\$10 million donation to the Kaohsiung Gas Explosion Relief.
		Hotai donates a 4 th and 5 th mobile blood bus and sponsors Hotai's National Blood Donor Month.
	September	Hotai donates 8,968 sets of school zone crossing guard equipment to public elementary schools in Keelung City Hsinchu City and County, Yilan County, Miaoli County, Pingtung and Hualien County.
		Hotai provides AED at all TOYOTA, LEXUS and HINO locations around the island.
	October	Hotai named the "Most Admired Company" in the auto sales industry in Taiwan by CommonWealth Magazine in 8 consecutive years.
		10 th anniversary of Toyota Walk—TOYOTA Family Day.
	December	@bc, a website for certified pre-owned cars is officially online.
		Annual production of Kuozui Motors Ltd. reaches 200 thousand vehicles.
2015	March	Hotai donates one ambulance bus to Children Are Us Foundation and purchases Children Are Us baked goods at all locations around Taiwan.
	April	10 th anniversary of the Hotai Road Safety & Awareness Tour.

II. Corporate Overview

		LEXUS awarded the Gold Service Medal in the customer service category by CommonWealth Magazine in 3 consecutive years.
	July	Hotai sponsors the fundraising event held by Child Welfare League Organization for Nutrition Aid Project for Children in the Disadvantaged Groups in 3 consecutive years.
		TOYOTA RAV4's monthly sales hits record high (2,752 vehicles).
	August	Hotai donates a 6 th mobile blood bus and 50 thousand new blood bags and sponsors Hotai's National Blood Donor Month.
	September	LEXUS ranks highest in the J.D. Power Taiwan New Vehicle Sales Satisfaction Index Study for the 15 th time.
	October	Hotai donates 9,194 sets of school zone crossing guard equipment to public elementary schools in Nantou County, Changhua County, Taitung County, Chiayi City and County, Kinmen County, Yunlin County and Penghu County, therefore completes the first round donation to all public elementary schools in Taiwan.
	November	Introduces the first Hino low-floor bus.
2016		LEXUS receives first place in the auto category in the Business Today Best Brand Awards.
	January	TOYOTA short films "Family Trip" and "Mom's Chariot" voted the most successful films on YouTube in the 1 st and 4 th place.
	February	Hotai and Kuozui Group make NT\$10 million donation to the Southern Taiwan Earthquake Relief.
	May	TOYOTA global hybrids sales surpass nine million vehicles.
	June	LEXUS named the exclusive auto-brand sponsor for the 27 th Annual Golden Melody Awards.
	July	Hotai honored with the Gold Award in the 2016 Best Service in Taiwan in 3 consecutive years by Commercial Times.
		Hotai raises NT\$20 million in the "Let Love Begin" charity event, which is donated to five social welfare groups, including the Child Welfare League, Children Are Us Foundation, Eden Social Welfare Foundation, Sunshine Social Welfare Foundation, and Taiwan Blood Services Foundation.
		Hotai donates a 7 th mobile blood bus and sponsors Hotai's National Blood Donor Month.
	August	Hotai's Customer Service Center receives certification for "Quality management—Customer satisfaction—Guidelines for complaints handling in organizations" and becomes the first in the automotive industry to be certified.
	September	Hotai donates 8,000 sets of school zone crossing guard equipment to public elementary schools in Taipei City and New Taipei City; a cumulative of over 52,000 sets have been donated to schools in Taiwan.
	October	LEXUS named the exclusive auto-brand sponsor for the 51 st Annual Golden Bell Awards.
		LEXUS ranks highest in the J.D. Power Taiwan Customer Service Index Study for

II. Corporate Overview

		the 17 th time.
	November	Hotai honored with the Service Industry Gold Award and Social Inclusion Award in the 2016 Taiwan Corporate Sustainability Awards.
		LEXUS named the exclusive auto-brand sponsor for the 53 rd Golden Horse Awards.
	December	LEXUS and Hotai Leasing Co., Ltd. ranks top in the auto category and car rental category in the Best Brand Awards by Business Today.
		TOYOTA City Driver app hits 200 million downloads.
		Hino continues to be the leading auto brand in the full-size commercial vehicles market in 7 consecutive years.
2017	February	TOYOTA global hybrids sales surpass 10 million vehicles.
	March	All-new TOYOTA C-HR debuts.
		Acquired Zurich Insurance (Taiwan) Ltd., and renamed as Hotai Insurance Co., Ltd.
		Hotai's largest sales location in Northern Taiwan, Taoyuan Store, opens for business.
	April	TOYOTA launches its charity campaign: One Tree for Every Toyota.
		TOYOTA ranked No.1 in the vehicles category in the "Top 100 Most Influential Brands Survey in Taiwan" by Business Weekly Magazine in 3 consecutive years.
	May	Hotai Motor ranked in the top 5% among TWSE listed companies in the Corporate Governance Evaluation results released.
	September	Hotai Motor 70th Anniversary.
		Hotai donates 11,000 sets of school zone crossing guard equipment to public elementary schools in New Taipei City, Taoyuan City and Kaohsiung City; a cumulative of over 63,000 sets have been donated to schools in Taiwan.
	October	Hotai ranks No. 1 in Next Magazine's Top Service Awards for the 9 th time.
	November	Hotai honored with the Social Inclusion Award for the second consecutive year, and the Corporate Sustainability Award and a Gold Award in the Corporate Sustainability Report category for the first time in the 2017 Taiwan Corporate Sustainability Awards.
	December	Kuozui Motors Ltd. receives the highest honor in the 2017 National Occupational Safety and Health Awards.
		TOYOTA remains the top auto brand in Taiwan in 16 consecutive years. TOYOTA ALTIS, RAV4 and SIENTA continue to be the top 3 best-selling car models; LEXUS RX remains the best-selling luxury SUV; HINO ranks top in the full-size commercial vehicle category in 8 consecutive years.
		Hotai Motor is the biggest winner among the Top YouTube Videos in Taiwan in 2017! Three out of the top five are short films produced by Hotai, including: LEXUS 《影藏》 at No. 1, TOYOTA 《我的幸福里程樹》 at No. 3, and TOYOTA 《人生轉運站》 at No. 5. In addition, the LEXUS short film, 《影藏》, also ranks No. 1 on the Asia-Pacific YouTube Ads Leaderboard in October.
		Hotai donates the ninth Hotai mobile blood bus, reaching the goal of having at

II. Corporate Overview

		least one mobile blood bus at each of the top five blood donor centers in Taiwan, serving numerous communities.
2018	February	TMC, Hino Motors Ltd., Hotai and Kuozui Group make a donation to the Hualien Earthquake Relief.
	April	TOYOTA's One Tree for Every Toyota campaign participates in the Zhoushui River Dust Control Project run by the Executive Yuan, contributing to the planting of over 110,000 trees to date.
		Hotai Leasing Co., Ltd. receives the Gold Award for Best Business Model in the 2018 Future Commerce Awards.
	May	Hotai Motor once again ranks in the top 5% among TWSE listed companies in the Corporate Governance Evaluation results released.
		Toyota Corolla named Best Small Sedan at the 2018 Middle East Car of the Year Awards.
	June	Hotai Yangmei Logistic Center installs over 33,000 square meters of solar panels.
		Hotai invests NT\$6 billion in the shares of TMC.
	July	Hotai Leasing Co., Ltd. receives the Best Business Award and Best Innovation Award at the Golden Torch Awards.
		Hotai honored with the Gold Award in the 2018 Best Service in Taiwan by Commercial Times.
	September	Hotai celebrates its 70 th anniversary.
	October	Hotai ranks No. 1 in Next Magazine's Top Service Awards for the 10 th time.
		Hotai Finance Co., Ltd. becomes a listed company on the Taipei Exchange.
2019	November	Hotai receives the 2018 National Talent Development Award, Taiwan Corporate Sustainability Award, and BSI Sustainability Excellence Award.
	December	Kuozui Motors Ltd. receives the Gold Medal and Honorable Mention at the 27 th Enterprise Environmental Protection Awards.
		TOYOTA remains the top auto brand in Taiwan in 17 consecutive years, recording a total of 120,766 TOYOTA and LEXUS vehicle sales in 2018; Lexus ranks No. 2 in luxury car brands; HINO ranks top in the full-size commercial vehicle category for the 9 th consecutive year.
	March	All-new TOYOTA RAV 4 and COROLLA ALTIS hit the sales floor.
	April	One Tree for Every Toyota campaign accomplishes its goal of 200,000 trees planted.
	May	All-new TOYOTA GRANVIA debuts.
	May	Hotai Motor ranks in the top 5% among TWSE listed companies in the Corporate Governance Evaluation results released for the third time and received the Labor Safety Award from Taipei City.
	June	For the sixth consecutive year, Hotai Motor receives the Gold Award in the 2019 Best Service in Taiwan by Commercial Times.
	July	All-new TOYOTA HILUX debuts.
	August	Receives CommonWealth Magazine's Corporate Citizenship Award for the 5 th consecutive year.

II. Corporate Overview

	September	All-new TOYOTA GR SUPRA debuts.
		Thousands attend Hotai Group's beach cleanup event to reduce plastics.
		Donates 12,000 sets of equipment for the guides and volunteers to New Taipei City, Keelung City, Yilan County, Hsinchu City, Hsinchu County, Miaoli County, Hualien County, and Pingtung County. A total of 85,000 sets are donated to Taiwan.
	October	Kuozui receives the Outstanding Foreign Corporation Contribution Award from the Ministry of Economic Affairs.
	November	Hotai Motor receives the Taiwan Enterprise Sustainability Award from the Taiwan Enterprise Sustainability Training Center (TCSA) for 4 consecutive years.
		Receives the Sustainability Award from the British Standards Institute (BSI) for 2 consecutive years.
	December	Hotai Motor donates the "Hotai 10" mobile blood bus and becomes the enterprise that has donated the most bloodmobiles in Taiwan, with a cumulative total of ten mobile blood bus donations.
		Hotai Finance becomes a listed public company on the Taiwan Stock Exchange.
		All-new LEXUS LM debuts.
		TOYOTA and Lexus remain the top auto brand in Taiwan for 18 consecutive years, recording a total of 141,891 vehicles. COROLLA ALTIS has been the champion of single vehicle sales for 19 consecutive years, and RAV4 has remained the No.1 of Taiwan's SUV market. HINO ranks top in the full-size commercial vehicle sector for 10 consecutive years.
2020	January	One Tree for Every Toyota campaign reaches 300,000 trees planted.
	March	TOYOTA is voted the No.1 Most Trusted Brand in the automotive category by readers of Common Health Magazine.
	April	All new TOYOTA COROLLA ALTIS GR SPORT makes global debut.
	May	LEXUS reaches 200,000 units of sales in Taiwan.
	July	Hotai Leasing received the Gold Award in the 2020 Best Service in Taiwan in the car rental category for the 2 nd consecutive year.
		Hotai Motor's LEXUS honored with the Gold Award in the 2020 Best Service in Taiwan by Commercial Times.
		All-new redesigned TOYOTA HILUX debuts.
	August	Hotai Motor passes a resolution to invest and partner with Hosing International Automotive Co., Ltd. to develop coachwork business.
		Hotai Motor receives the honor from China Credit Information Service (CRIF) as the only business that has ranked on the top 500 companies list and the top 100 companies in revenues for 30 consecutive years.
		All-new LEXUS LC CONVERTIBLE debuts.
		Toyota Material Handling Taiwan Ltd. renames the company in Chinese.
	September	Receives CommonWealth Magazine's Corporate Citizenship Award for the 6 th consecutive year.
		Hotai Leasing receives the Golden Peak Award as one of the Top 10 Enterprises.

II. Corporate Overview

		This September marks the 10 th anniversary since Hotai began donating crossing guard equipment across Taiwan as Hotai completes the second round of donation to all public elementary schools in Taiwan. A cumulative of over 97,000 sets of crossing guard equipment has been donated.
	October	All-new domestic SUV, TOYOTA COROLLA CROSS, debuts.
	November	Tens of thousands of volunteers participated at Hotai Group's beach cleanup event
	December	Hotai Motor receives the Taiwan Enterprise Sustainability Award from the Taiwan Enterprise Sustainability Training Center (TCSA) for 5 consecutive years.
		yoxi, an app that offers ride dispatch service launches.
		TOYOTA is ranked top as the Favorite Brand of Consumers in the auto category in a survey conducted by Management Magazine.
		All-new SIENTA CROSSOVER debuts.
		Hotai Motor donates the 11 th mobile blood bus; 280 million c.c. of blood has been donated to date.
		One Tree for Every Toyota campaign reaches 400,000 trees planted.
		TOYOTA and LEXUS recorded a total of 146,194 units of vehicle sales in 2020 and remain the top auto brand in Taiwan in 19 consecutive years. Among which, TOYOTA RAV4 is the bestselling model. Meanwhile, HINO continues to rank top in the full-size commercial vehicle category for the 11 th consecutive year.
2021	January	Hotai Motor acquires iRent and incorporate the yoxi app as part of its efforts to actively develop business in the MaaS market.
	March	All-new HINO 200 series 3.49-ton truck launches.
		One Tree for Every TOYOTA campaign launches in Kinmen.
		All-new TOYOTA SIENNA debuts.
	April	Hosing International Automotive Co., Ltd. is renamed as Hotai Coachwork Manufacturing Co., Ltd.
	May	Hotai Group and Chun Ching Social Welfare Foundation collectively donate NT\$24 million to the pandemic relief fund.
		Ranked top 5% in the Corporate Governance Evaluation among listed companies for the fourth time.
	August	All-new TOYOTA GR YARIS debuts.
	September	One Tree for Every Toyota campaign reaches 500,000 trees planted.
		All-new LEXUS UX300e debuts.
		Hotai officially launches Hotai Pay, Hotai Points and Hotai CTCB Credit Card.
	October	Receives CommonWealth Magazine's Sustainability Citizen Award for the 7 th consecutive year.
		For the 8 th consecutive year, Hotai Leasing is honored with the Gold Award in The Best Service in Taiwan by Commercial Times.
		Hotai Leasing honored with the Gold Award in the car rental category in The Best Service in Taiwan for the third time.

II. Corporate Overview

		Ho Tai Cyber Connection Co., Ltd. acquires Hotai Innovation Marketing Co.
		October marks the 11 th year of Hotai's commitment in donating crossing guard equipment. A cumulative of over 110,000 sets of crossing guard equipment has been donated.
	November	Hotai Motor receives the Taiwan Enterprise Sustainability Award from the Taiwan Enterprise Sustainability Training Center (TCSA) for 6 consecutive years.
	December	Hotai donates the 12 th mobile blood bus; over 1.5 million bags of blood donations have been collected in the last eleven years.
		All-new redesigned LEXUS NX launches.
		Hotai remains the top auto brand in Taiwan in 20 consecutive years, recording a total of 156,000 units of TOYOTA, LEXUS and HINO vehicle sales in 2021, with TOYOTA COROLLA CROSS being the bestselling model; HINO ranks top in sales in the commercial vehicle category.

參、公司治理報告

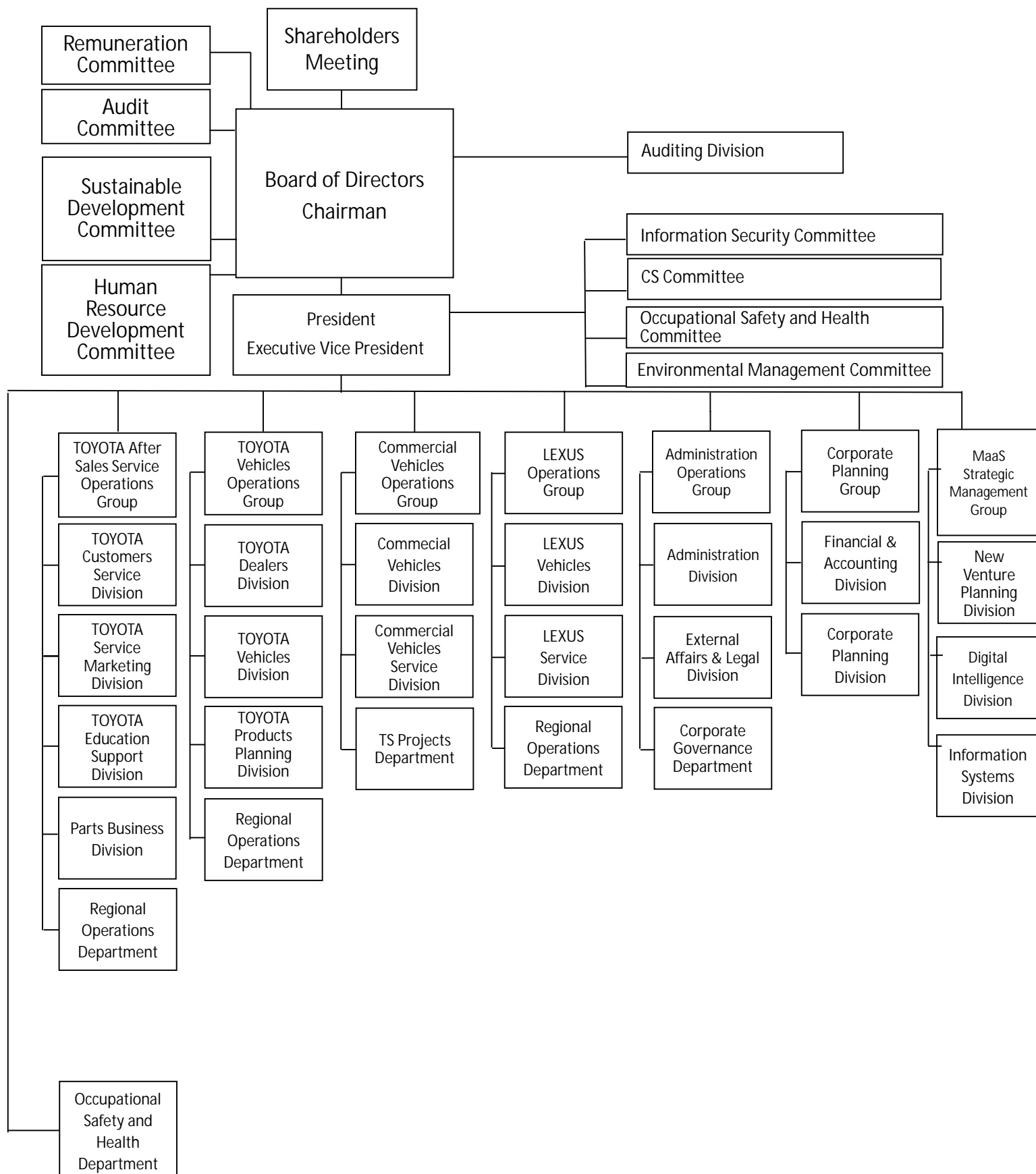
Corporate Governance Report



III. Corporate Governance

3.1 Organization Structure

3.1.1 Organization Chart (As of April 30, 2022)



III. Corporate Governance

3.1.2 Primary Business Functions

Auditing Division	<ul style="list-style-type: none"> Establish, implement and review internal control and audit systems, and conduct audits on the Company's operations and finance.
Information Security Committee	<ul style="list-style-type: none"> Establish, promote and implement information security policy, and review and discuss information security issues and solutions, resources allocation and implementation results.
CS Committee	<ul style="list-style-type: none"> Plan, implement and review customer service system, and manage and maintain customer relationships.
Occupational Safety and Health Committee	<ul style="list-style-type: none"> Provide suggestions on draft safety and health policies. Review, discuss, coordinate, and provide suggestions on relevant matters.
Environmental Management Committee	<ul style="list-style-type: none"> Implement environmental management guidelines and promote environmental practices.
Sustainable Development Committee	<ul style="list-style-type: none"> Promote the Company's sustainable development policies, systems, and related management approaches as well as action plans.
Occupational Safety and Health Department	<ul style="list-style-type: none"> Draft, plan, oversee and promote matters relating to occupational safety and health, and advise relevant departments on the implementation.
Corporate Planning Group	<ul style="list-style-type: none"> Manage financial and accounting affairs, provide tax planning, and handle customs declarations. Redesign organizational structure and facilitate the planning, execution, and follow-up of improvement projects. Draft medium and long-term business plans. Analyze operational performances. Adopt annual business objectives and monitor progress. Manage investments in Hotai's affiliates. Study investment strategies for the Group's new businesses, assess synergies created from the investments, and conduct substantive review on merger and acquisition decisions.
Administration Operations Group	<ul style="list-style-type: none"> Plan, implement, and review matters relating to staffing, such as the allocation and management of human resources, personnel training and career development, and general administration. Manage public relations, media affairs, and legal affairs. Oversee and manage the Company's corporate governance practices, investor relations, and compliance of committees maintained by the Board.
TOYOTA Vehicles Operations Group	<ul style="list-style-type: none"> Manage the order, delivery, demand and supply, marketing planning and execution of TOYOTA vehicles business. Establish, oversee, and mentor dealerships. Prepare new media marketing proposals. Conduct market research, product planning, and obtain product certification. Prepare a comprehensive plan for brand development, pre-sales customer relations, and CPO related business.

III. Corporate Governance

TOYOTA After Sales Service Operations Group	<ul style="list-style-type: none"> • Design TOYOTA's service system and plan and carry out service activities. • Troubleshoot technical problems and guarantee replacement of TOYOTA vehicles. • Provide technical training of TOYOTA and HINO vehicles. • Conduct post-sales marketing planning and operations management. • Conduct the purchase, sales, and inventory management of auto parts, and matters related to auto parts management. • Manage TOYOTA Customer Service Center. • Oversee the implementation of environmental management and ISO certifications and manage the overall facilities of the Park.
LEXUS Operations Group	<ul style="list-style-type: none"> • Manage the order, delivery, demand and supply analysis, marketing planning and execution of LEXUS vehicles business. • Conduct market research and product planning. • Plan and execute LEXUS service system and service activities. • Provide the solutions on technical problems and guarantee replacement. • Purchase LEXUS parts. • Manage LEXUS Customer Service Center.
Commercial Vehicles Operations Group	<ul style="list-style-type: none"> • Oversee the order and delivery of TOYOTA commercial vehicles and HINO vehicles, manage supply and demand, and lead the marketing planning and execution. • Formulate integrated media marketing proposals. • Establish, oversee, and mentor dealerships. • Conduct market research and product planning. • Provide technical training of TOYOTA commercial vehicles and HINO vehicles. • Design service system and organize service activities for TOYOTA commercial vehicles and HINO vehicles. • Troubleshoot technical problems and guarantee replacement of TOYOTA commercial vehicles and HINO vehicles. • Purchase parts for TOYOTA commercial vehicles and HINO vehicles. • Oversee and support customer service of commercial vehicle dealers.
MaaS Strategic Management Group	<ul style="list-style-type: none"> • Develop new business models, formulate business strategies and structures for new ventures, establish brand positioning and manage the operations of mobility services. • Integrate the Group's data strategies, formulate cloud service framework, and deliver data integration solutions. • Analyze, develop, maintain, and advise on the data system of the Group, assess and procure system maintenance hardware, formulate and implement information security policies, and research and apply new information technologies.

III. Corporate Governance

3.2 Directors, President, Vice Presidents, Chief Officers and Department and Divisional Executive Officers

3.2.1 Directors

April 23, 2022

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship	
Chairman	Taiwan Taiwan	Chun Yung Investment Co, Ltd., represented by Huang, Nan-Kuang	Male 74 years old	June 20, 2019	3 years	May 22, 1992	174,000	0.03%	174,000	0.03%	0	0.0%	0	0.0%	Department of Chemistry, Fu Jen University	Chairman, Kuotu Motor Co., Ltd. Chairman, Hotong Motor Investment Co., Ltd. Vice Chairman, Yokohama Tire Taiwan Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Hozan Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Taipei Toyota Motor Co., Ltd. Director, Taumiau Motor Co., Ltd. Director, Central Motor Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Denso Taiwan Corp. Supervisor, Carmax Co., Ltd.	Director	Lin, Li-Hua	Sister-in-law	N/A
Director	Japan Japan	Toyota Motor Corporation, represented by Kazuo Naganuma	Male 57 years old	June 20, 2019	3 years	January 1, 2019	44,406,112	8.13%	44,406,112	8.13%	0	0.0%	0	0.0%	School of Commerce, Waseda University	Chairman, Kuozui Motors Co., Ltd. Director, CarMax Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Supervisor, Hotai Leasing Co., Ltd. Supervisor, Hoing Mobility Service, Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan Taiwan	Yong Hui Development Co., Ltd. represented by Su, Yi-Chung	Male 81 years old	June 20, 2019	3 years	May 10, 1981	10,000	0.002%	10,000	0.002%	0	0.0%	0	0.0%	MBA, St. Mary's University	Chairman, Ho Tai Development Co., Ltd. Chairman, Ho-An Insurance Agency Co., Ltd. Chairman, Ho-Chuang Insurance Agency Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hotai Service Marketing Co., Ltd.	Director	Mr. Leon Soo	Son	N/A
Director	Taiwan Taiwan	Chun Yung Investment Co., Ltd., represented by Lin, Li-Hua	Female 74 years old	June 20, 2019	3 years	July 17, 2001	174,000	0.03%	174,000	0.03%	0	0.0%	0	0.0%	Department of Money and Banking, National Chengchi University	Chairman, Hoyu Investment Co., Ltd.	Chairman	Huang, Nan-Kuang	Brother-in-law	N/A
							83,740	0.02%	83,740	0.02%	0	0.0%	0	0.0%						

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship	
Director	Taiwan	Chun Yung Investment Co., Ltd., represented by Huang, Chih-Cheng	Male 64 years old	June 20, 2019	3 years	April 28, 2000	174,000	0.03%	174,000	0.03%	0	0.0%	0	0.0%	School of Management, University of California	Chairman, Toyota Material Handling Taiwan Ltd. Chairman, Formosa Flexible Packaging Corp. Chairman, Taicheng Information Co., Ltd. Chairman, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Kuozui Motors Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Carmax Autotech (Shanghai) Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Service Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanjing Hozhan Motor Service Co., Ltd. Director, Shanghai Fengyi Construction Decoration Limited Company Director, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Director, Nitto Precision Screw Industrial (Zhejiang) Co., Ltd. Supervisor, Kuotu Motor Co., Ltd.	N/A	N/A	N/A	N/A
	Taiwan						121,165	0.02%	121,165	0.02%	0	0.0%	0	0.0%						

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship	
Director	Taiwan Taiwan	Li Gang Enterprise Co., represented by Su, Chwen-Shing	Male 56 years old	June 20, 2019	3 years	June 13, 1995	40,569,353	7.43%	40,569,353	7.43%	0	0.0%	0	0.0%	MBA, Massachusetts Institute of Technology	Chairman, Hozan Investment Co., Ltd. Chairman, CarMax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Chairman, Ho Tai Cyber Connection Co., Ltd. Vice Chairman, Kuozui Motors Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Managing Director, Toyota Tsusho (Taiwan) Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Nan Du Motor Co., Ltd. Director, Kau Du Automobile Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Director, Li Gang Enterprise Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Supervisor, Denso Taiwan Corp.	Director	Su, Yann-Huei	Father	N/A
Director	Taiwan Taiwan	Li Gang Enterprise Co., Ltd. represented by Su, Jean	Female 69 years old	June 20, 2019	3 years	June 22, 2000	40,569,353	7.43%	40,569,353	7.43%	0	0%	0	0%	Master's in finance, University of Southern California	Chairman, Cheng Sun Trading Co., Ltd. Chairman, Jin Yuan Shan Investment Co., Ltd. Director, Li Gang Enterprise Co., Ltd. Director, Hoyu Investment Co., Ltd. Director, Shiho Screw Industrial Co., Ltd. Director, Formosa Flexible Packaging Corp.	Director	Su, Chwen Shing	Son	N/A
Director	Taiwan Taiwan	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	Male 84 years old	June 20, 2019	3 years	May 23, 2011	13,922,894	2.55%	14,640,894	2.68%	0	0%	0	0%	The Affiliated Industrial Vocational High School of National Changhua University of Education	Chairman, Chang Yuan Motor Co., Ltd. Chairman, Hotai Coachwork Manufacturing Co., Ltd. Chairman, Yuan Tuo Investment Co., Ltd. Chairman, Sun Union Trading Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Director, Lang Yang Toyota Motor Co., Ltd. Director, Kitahara Industrial Co., Ltd. Supervisor, Yong Chi Trading Co., Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan Taiwan	Gui Long Investment Co., Ltd., represented by Chang, Shih-	Male 56 years old	June 20, 2019	3 years	June 18, 2004	5,126,000	0.94%	5,126,000	0.94%	0	0%	0	0%	School of Economics, Konan University	Managing Director, Hoyu Investment Co., Ltd.	N/A	N/A	N/A	N/A
							0	0%	0	0%	1,070,930	0.2%	0	0%						

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship	
		Yieng																		
Director	Taiwan	Chun Yung Investment Co., Ltd., represented by Huang, Wen-Jui	Male 52 years old	June 20, 2019	3 years	June 22, 2010	174,000	0.03%	174,000	0.03%	0	0%	0	0%	Department of Electrical Engineering, National Central University Master's in Business Intelligence, Tokyo University of Information Sciences	Director, Shanghai Ho-Yu (BVI) Investment Co., Ltd. Director, Tien Jin Ho Yu Investment Co., Ltd. Director, Hoyun International Limited Director, Formosa Flexible Packaging Corp.	N/A	N/A	N/A	N/A
Director	Taiwan Taiwan	Yong Hui Development Co., Ltd. represented by Mr. Leon Soo	Male 50 years old	June 20, 2019	3 years	June 22, 2000	10,000	0.002%	10,000	0.002%	0	0%	0	0%	The Wharton School of the University of Pennsylvania	Chairman, Shanghai Fengyi Construction Decoration Limited Company Director, Shanghai Hede Used Cars Operation Co., Ltd. Vice Chairman, Hoyu Investment Co., Ltd. Vice Chairman, Hotong Motor Investment Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hoing Mobility Service, Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Formosa Flexible Packaging Corp. Director, Kuozui Motors Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Managing Director and President, Shanghai Guangxin Culture Media Co., Ltd. Managing Director and President, Shanghai Ho-Mian Auto Technology Co., Ltd. Managing Director and President, Tianjin Yongda Communication Technology Co., Ltd Managing Director, Shanghai Zhongxin Traffic Facility Engineering Co., Ltd. Managing Director, Shanghai Hochen Auto Technology Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Guangzhou Guangqi Commercial Changhe Automobile Technology Co., Ltd.	Director	Su, Yi-Chung	Father	N/A

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relationship	
																Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Chairman, Tianjin Ho-Yi International Trading Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Linyi Ho-Yu Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Jinzhong Zhong Du Toyota Motor Sales & Service Co., Ltd. Director, Taiyuan Zhong Du Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Director, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanjing Hozhan Motor Service Co., Ltd. Shanghai Hekang Equipment Leasing Co., Ltd. Director, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, HE JING CO., LTD.				
Independent Director	Taiwan	Shih, Hsien-Fu	Male 75 years old	June 20, 2019	3 years	June 20, 2019	0	0.0%	0	0.0%	0	0.0%	0	0.0%	Department of Law, National Chung Hsing University	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Member of the Audit Committee, Hotai Motor Co., Ltd. Independent Director, Alfa Intelligent Technology Co., Ltd.	N/A	N/A	N/A	N/A
Independent Director	Taiwan	Su, Chin-Huo	Male 71 years old	June 20, 2019	3 years	June 21, 2016	0	0%	0	0%	0	0.0%	0	0.0%	Master's in Industrial Systems Engineering and Management, Asian Institute	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Member of the Audit Committee, Hotai Motor Co., Ltd.	N/A	N/A	N/A	N/A

III. Corporate Governance

(Continued)

Title	Nationality or Place of Registration	Name	Gender	Date Elected	Term	Date First Elected	Shareholding When Elected		Current Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held in other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note)
							Number	%	Number	%	Number	%	Number	%			Title	Name	Relation ship	
															of Technology					
Independent Director	Taiwan	Wu, Shih-Hao	Male 67 years old	June 20, 2019	3 years	June 21, 2016	0	0%	0	0%	0	0.0%	0	0.0%	PhD in Business Administratio n, National Taipei University	Member of the Remuneration Committee, Hotai Motor Co., Ltd. Member of the Audit Committee, Hotai Motor Co., Ltd.	N/A	N/A	N/A	N/A

Note: If the chairman of the board and the president or someone of equivalent rank (i.e., the highest-ranking executive) are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

III. Corporate Governance

3.2.2 Disclosure of Professional Qualifications, Experience, and Independence Status of Directors

Criteria Name	Professional Qualifications and Experience	Independence Status	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Huang, Nan-Kuang	<ul style="list-style-type: none"> Mr. Huang received a bachelor's degree in chemistry. From 2008, he served as the vice chairman of Hotai Motor Co., Ltd. and has been the chairman of our company since 2010. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> Chairman, Hotai Motor Co., Ltd. 	N/A
Kazuo Naganuma	<p>Mr. Naganuma has an undergraduate degree from the School of Commerce at Waseda University. He's currently serves as the executive officer position of Hotai Motor Co., Ltd. and serves as the Chairman of Kuozui Motors, Ltd.</p> <ul style="list-style-type: none"> None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> As the executive vice president of Hotai Motor Co., Ltd., Mr. Naganuma is a director who concurrently serves in an executive officer position. 	N/A
Su, Yi-Chung	<ul style="list-style-type: none"> Mr. Su has a bachelor's degree in diplomacy from National Chengchi University and an MBA from St. Mary's University. He currently serves as the chairman of Ho Tai Development Co., Ltd. and as a member of the Boards of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> Non-executive director 	N/A
Lin, Li-Hua	<ul style="list-style-type: none"> Ms. Lin has a bachelor's degree in money and banking from National Chengchi University. She currently serves as the chairman of Hoyu Investment Co., Ltd. and a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> Non-executive director 	N/A
Huang, Chih-Cheng	<ul style="list-style-type: none"> Mr. Huang received a bachelor's degree in management from the University of California. He currently serves as the chairman of Toyota Material Handling Taiwan Ltd. and a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> Non-executive director 	N/A
Su, Chwen-Shing	<ul style="list-style-type: none"> Mr. Su has an MBA from Massachusetts Institute of Technology and currently serves as the vice chairman of Kuozui Motors Co., Ltd. and president of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	<ul style="list-style-type: none"> As the president of Hotai Motor Co., Ltd., Mr. Su is a director who concurrently serves in an executive officer position. 	N/A

III. Corporate Governance

Su, Jean	<ul style="list-style-type: none"> Ms. Su has a master's degree in finance from the University of Southern California and currently serves as a member of the Board of Hotai Motor Co., Ltd. None of the conditions stated in Article 30 of the Company Act exist. 	♦ Non-executive director	N/A
Ko, Junn-Yuan	<ul style="list-style-type: none"> Mr. Ko has a diploma from the Affiliated Industrial Vocational High School of National Changhua University of Education. He currently serves as the chairman of Chang Yuan Motor Co., Ltd. and a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	♦ Non-executive director	N/A
Chang, Shih-Yieng	<ul style="list-style-type: none"> Mr. Chang has a bachelor's degree in economics from Konan University in Japan and currently serves as a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	♦ Non-executive director	N/A
Huang, Wen-Jui	<ul style="list-style-type: none"> Mr. Huang has a master's degree in business intelligence from Tokyo University of Information Sciences and currently serves as a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	♦ Non-executive director	N/A
Leon Soo	<ul style="list-style-type: none"> Mr. Soo has a master's degree from the Wharton School of the University of Pennsylvania. He currently serves as the vice chairman of Hotong Motor Investment Co., Ltd. and serves as a member of the Board of Hotai Motor Co., Ltd. None of the circumstances listed in Article 30 of the Company Act were found to be true for the director. 	♦ Non-executive director	N/A

Name Criteria	Shih, Hsien-Fu (independent director)	Su, Chin-Huo (independent director)	Wu, Shih-Hao (independent director)
Professional Qualifications and Experience	<ul style="list-style-type: none"> Mr. Shih has a bachelor's degree in law from National Chung Hsing University. He was the former president of Kuotu Motor Co., Ltd. and currently serves as an independent director of Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> Mr. Su has a master's degree in industrial systems engineering and management from Asian Institute of Technology. He was the former president of the Corporate Synergy Development Center and senior executive officer at Industrial Development Bureau, MOEA and currently serves as an independent director of Hotai Motor Co., Ltd. 	<ul style="list-style-type: none"> Mr. Wu has a PhD in business administration from National Taipei University. He was the former vice president of the Commerce Development Research Institute and professor of the Department of Marketing and Distribution Management at National Kaohsiung University of Science and Technology. He currently serves as an independent director at Hotai Motor Co., Ltd.

III. Corporate Governance

Independence Status	<p>(1) Not an employee of the Company or any of its affiliates.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliates. (Not applicable in cases where the person is an independent director of the Company, its parent company or any subsidiary appointed in accordance with local laws and regulations.)</p> <p>(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.</p> <p>(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the five degree of kinship, of any of the persons in the preceding three subparagraphs.</p> <p>(5) Not directly holding more than 5% of the total issued shares of the company, holding the top five shares, or in accordance with Article 27, item 1 or 2 of the Company Act of Taiwan as a director, supervisor or employee appointed as a representative to act as the corporate shareholder of the company's director or supervisor (Not applicable in cases where the person is an independent director of the Company, its parent company or any subsidiary appointed in accordance with local laws and regulations.)</p> <p>(6) Not a director, supervisor or employee of another company who is a director or more than half of the shares with voting rights of the company are controlled by the same person. (Not applicable in cases where the person is an independent director of the Company, its parent company or any subsidiary appointed in accordance with local laws and regulations.)</p> <p>(7) Not a director, supervisor or employee of other companies or entities who is the same person or spouse as the chairman, general manager or equivalent of the company (Not applicable in cases where the person is an independent director of the Company, its parent company or any subsidiary appointed in accordance with local laws and regulations.)</p> <p>(8) Not a Director, supervisors, managers or shareholder holding more than 5% of the company's shares (However, this restriction shall not apply if a specific company or institution holds more than 20% of the total issued shares of the company, but less than 50%, and is an independent director established by the company and its parent company, subsidiary or subsidiary of the same parent company in accordance with this law or local laws and regulations.)</p> <p>(9) Not a person who proved audit to the company or an affiliated enterprise, or professional, sole proprietorship, partnership, business owner, partner, director (director), supervisor (supervisor), manager and spouse of the company or institution who has obtained business, legal, financial, accounting and other related services with the cumulative amount of remuneration not exceeding NT \$500,000 in the past two years.</p> <p>(10) Not a spouse or second degree relative with other directors.</p> <p>(11) Not an event under Article 30 of the Company Act of Taiwan.</p> <p>(12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act of Taiwan.</p>		
Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	N/A	N/A	N/A

3.2.3 Board Independence and Diversity

In 2021, we have a total of 14 directors, three of them are independent directors, accounting for 24.4% of the Board. Two of the directors, President Su, Chwen-Shing and Executive Vice President Kazuo Naganuma, are also employees of the Company. Each director candidate has

III. Corporate Governance

been reviewed for their qualifications and it has been verified that none of the circumstances listed in Article 30 of the *Company Act* are found to be true for the director candidates. The confirmation process and relevant announcements are made in compliance with applicable laws. Director profiles including relationships between members of the Board can be found on pages 25 to 30 of this Annual Report (less than half of the directors have a marital relationship with one another or are relatives within the second degree of consanguinity).

At Hotai, gender equality at Board level has always been something that we strive for. As such, we reevaluate the number of Board seats allocated to female directors before every election and take them into consideration in the nomination process. In the re-election in 2019, one female director was added to the Board, which makes a total of two female directors, accounting for 14.3% of the Board, a 7.2% improvement from the last election. Going forward, we will work towards increasing female representation on the Board (the goal is to achieve 33% of the total Board seats) and take those numbers into account at every election to gradually add more female directors. Our next Board election will take place in 2022.

In terms of age demographics, one of the directors is under the age of 50, five are in between the age of 51 to 65, and eight are 66 or older. Our directors have expertise in various areas, such as management, business administration, and finance. The two female directors in particular are highly specialized in the field of finance and accounting. Not only do we consider professional skills and experience of the directors in the selection process, but we also consider whether they possess complementary skills that are transferrable across industries (including basic composition such as age, gender, and nationality), as well as industry experience and other expertise (e.g., financial insurance and information technology). See Note 1 for the Company's implementation of diversity policies.

In order to strengthen Board functions and achieve corporate governance best practice, Article 20 of the Company's *Corporate Governance Best Practice Principles* clearly states that the Board of Directors as a whole should possess the following capabilities:

- (1) Ability to make operational judgments
- (2) Ability to perform accounting and financial analysis
- (3) Ability to conduct business management
- (4) Ability to conduct crisis management
- (5) Knowledge of the industry
- (6) An international market perspective
- (7) Ability to lead
- (8) Ability to make policy decisions

III. Corporate Governance

Note 1: The Company's Current Board and Implementation of Diversity Policy

	Board Composition						Industry Experience				Expertise			
	Nationality	Gender	Employee	Age			Automotive & Transportation	Metal or Packaging Materials Manufacturing	Finance and Insurance	Information Technology	Business Management	Financial Analysis	International Market Perspective	Crisis Management
				50 or under	Between the age of 51-65	66 and above								
Huang, Nan-Kuang	R.O.C	Male	-	-	-	√	√	-	-	-	√	√	√	√
Su, Chwen-Shing	R.O.C	Male	√	-	√	-	√	-	√	√	√	√	√	√
Kazuo Naganuma	Japan	Male	√	-	√	-	√	-	-	-	√	√	√	√
Lin, Li-Hua	R.O.C	Female	-	-	-	√	√	-	-	-	√	√	√	√
Su, Jean	R.O.C	Female	-	-	-	√	√	√	√	-	√	√	√	√
Huang, Chih-Cheng	R.O.C	Male	-	-	√	-	√	√	-	-	√	√	√	√
Su, Yi-Chung	R.O.C	Male	-	-	-	√	√	-	√	-	√	√	√	√
Ko, Junn-Yuan	R.O.C	Male	-	-	-	√	√	-	-	-	√	√	√	√
Chang, Shih-Yieng	R.O.C	Male	-	-	√	-	√	-	√	-	√	√	√	√
Huang, Wen-Jui	R.O.C	Male	-	-	√	-	√	√	√	-	√	√	√	√
Mr. Leon Soo	R.O.C	Male	-	√	-	-	√	√	-	-	√	√	√	√
Shih, Hsien-Fu (Independent Director)	R.O.C	Male	-	-	-	√	√	-	-	√	√	√	√	√
Su, Chin-Huo (Independent Director)	R.O.C	Male	-	-	-	√	√	-	-	-	√	√	√	√
Wu, Shih-Hao (Independent Director)	R.O.C	Male	-	-	-	√	√	-	-	-	√	√	√	√

III. Corporate Governance

3.2.4 In cases where directors are the representatives of institutional shareholders, the major shareholders of such institutional shareholders (including % of stocks held) are as follows:

As of April 23, 2022

Company Name of Institutional shareholder	Major Shareholders
Chun Yung Investment Co., Ltd.	Tuo De Investment Co., Ltd. (18.87%), Zhong Yi Investment Co., Ltd. (14.07%), IRT Corporation (12.4%), Hong Yuan Investment Co., Ltd. (10.02%), Chang Hong Bai Sheng Investment Co., Ltd. (9.7%), Hui Min Investment Co., Ltd. (5.89%), Sheng Gao Enterprise Co., Ltd. (5.83%), Yi Hong Investment Co., Ltd. (5.83%), Hotai Capital Ltd. (5.82%), and Shang Yao Investment Co., Ltd. (5.48%).
Toyota Motor Corporation	Custody Bank of Japan, Ltd. (11.06%), Toyota Industries Corporation (7.20%), The Master Trust Bank of Japan, Ltd. (6.67%), Nippon Life Insurance Company (3.85%), JP Morgan Chase Bank, N.A. (3.24%), DENSO CORPORATION (2.72%), State Street Bank and Trust Company (2.11%), Mitsui Sumitomo Insurance Co., Ltd. (1.72%), The Bank of New York Mellon (1.65%), and Tokio Marine & Nichido Fire Insurance Co., Ltd. (1.54%)
Li Gang Enterprise Co., Ltd.	Jia Hui Ltd. (15%), Jia Chu Ltd. (15%), Jia Chuan Ltd. (10%), Jing Jing Development Ltd. (10%), Li Teng Enterprise Ltd. (10%), Li En Investment Ltd. (10%), Li Yung Investment Ltd. (10%), Yi He International Investment Co., Ltd. (10%), and Yi Chuan Investment Co., Ltd. (10%)
Yong Hui Development Ltd.	Soo, Leon (100%)
Gui Long Investment Co., Ltd.	SK Harvest Holdings (BVI) Ltd. (79.02%), Chen, Li-Chun (10.99%), and Wangfu Investment Co., Ltd. (9.99%).
Yuan Tuo Investment Co., Ltd.	Ko, Wen-Hsiang (10%), Ko, Wen-Ping (10%), Ko Wang, Wen-Liang (9.5%), Ko, Ying-Cheng (6.5%), Ko, Ying-Ho (5.5%), Ko, Ying-Hsin (5.5%), Ko, Su-Hui (5.25%), Ko, Su-Min (5.25%), Kang Yu Investment Co., Ltd. (5%), Ko, Wen-Sheng (4.63%), Ko, Wang-Chung (4.63%), and Ko, Wang-Cheng (4.63%)

3.2.5 Below is a list of the major shareholders (including % of stocks held) of the top shareholders of Hotai's institutional shareholders listed above who are themselves institutional shareholders

As of April 23, 2022

Company Name	Major Shareholders
Tuo De Investment Co, Ltd.	Tsai, Yueh-Chuan (8%), Tsai, Yueh-Lin (8%), Chen, Yu-Ting (8%), Jiayi Progressive Enterprises Ltd. (10.16%), Chuang Ying Investment Co., Ltd. (6.4%), Jiayi Social Welfare Foundation (19.84%), Sunrise Education Foundation (19.68%), and Haiken Social Welfare Foundation (19.92%).
Zhong Yi Investment Co., Ltd.	Huang, Wen-Jui (50%) and Huang, Tao-Tien (50%)
IRT Corporation	Eagle Sharp Global Limited (50%), Chang, Pei-Yao (24%), Chang, Feng-Wen (1%), and Huang, Chih-Lin (25%)
Hong Yuan Investment Co., Ltd.	Wang, Yueh (40%), Chang, Nai-Liang (24%), Tsai, Sung-Po (20%), and Tsai Min, Chia-Chin (16%)
Chang Hong Bai Sheng Investment Co., Ltd.	Huang Hsu, Cheng-Pao (99.8%) and Lin, Dao-yuan (0.2%)
Hui Min Investment Co., Ltd.	Huang, Shu-Hui (95%) and Tsai, Sung-Po (5%)
Sheng Gao Enterprise Co., Ltd.	Good Sense Limited (94.54%), Huang Shih, Hsuan-Chi (5.00%), and Huang, Chih-Cheng (0.46%)
Yi Hong Investment Co., Ltd.	Cheng Hsuan Social Welfare Foundation (18.62%), G&R Brothers' Investment Co., Ltd. (10.34%), Huang, Si-Chia (2.07%), and Sheng Gao Industrial Co., Ltd. ((68.97%)

III. Corporate Governance

Company Name	Major Shareholders
Hotai Capital Ltd.	Huang, Si-Yuan (45%), Huang, Si-Bo (45%), Chen, Wen-Kui (5%), and Chang, Chih-Hao (5%)
Shang Yao Investment Co., Ltd.	Li, Ching-Fen (25.98%), Li, Ching-Chao (21.20%), Sheng Jie Investment Co., Ltd. (19.57%), Ming Light Co., Ltd (14.57%), Huang, Chuan-Chuan(13.90%), Wang, Chuan-Bo (2.39%), and Wang, Chuan-Fu (2.39%)
Jia Hui Ltd.	Lin, Chih-Han (100%)
Jia Chu Ltd.	Lin, Chih-Han (100%)
Jia Chuan Ltd.	Lin, Chih-Han (100%)
Jing Jing Development Ltd.	Li, Chun-Jen (100%)
Li Teng Enterprise Ltd.	Li, Chun-Jen (100%)
Li En Investment Ltd.	Li Kang international Ltd. (100%)
Li Yung Investment Ltd.	Li Kang international Ltd. (100%)
Yi He International Investment Co., Ltd.	Su, Se-I (99.97%), Wei, Yu-Chung (0.03%)
Yi Chuan Investment Co., Ltd.	Su, Se-I (99.97%), Wei, Yu-Chung (0.03%)
SK Harvest Holdings (BVI) Ltd.	Jennifer Chen (100%)
Wangfu Investment Co., Ltd.	Yu, Shao Shian (12.89%), Chang, Hung Ying (71.09%), Gui Long Investment Co., Ltd. (0.13%), and Li Feng Global Co., Ltd. (15.89%)
Kang Yu Investment Co., Ltd.	Ko, Wen-Hui (25%), Ko, Wen-Hua (25%), Ko, Wang-Jen (25%), and Ko, Wang-Te (25%)

Note: Due to restriction of access under local regulations, information regarding institutional shareholders of the major shareholders of TMC that are also institutional shareholders is not available.

3.2.5 President, Vice Presidents, Chief Officers, and Department and Divisional Executive Officers

April 23, 2022

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
President	Taiwan	Su, Chwen-Shing	Male	June 22, 2010	0	0.0%	100,000	0.02%	0	0.0%	MBA, Massachusetts Institute of Technology	Chairman, Hozan Investment Co., Ltd. Chairman, Carmax Co., Ltd. Chairman, Eastern Motor Co., Ltd. Chairman, Ho Tai Cyber Connection Co., Ltd. Vice Chairman, Kuozui Motors Co., Ltd. Managing Director, Hoyu Investment Co., Ltd. Managing Director, Toyota Tsusho (Taiwan) Co., Ltd. Director, Chang Yuan Motor Co., Ltd. Director, Kuotu Motor Co., Ltd. Director, Nan Du Motor Co., Ltd. Director, Kao Du Motor Co. Ltd. Director, Hotai Finance Co., Ltd. Director, Hotai Leasing Co., Ltd. Director, Hozao Enterprise Co., Ltd. Director, Hoing Mobility Service Co., Ltd. Director, Cheng Sun Trading Co., Ltd. Director, Jin Yuan Shan Investment Co., Ltd. Director, Li Gang Enterprise Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Director, Hoyun International Lease Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Supervisor, Denso Taiwan Corp.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Executive Vice President	Japan	KAZUO NAGANUMA	Male	January 1, 2019	0	0.0%	0	0.0%	0	0.0%	School of Commerce, Waseda University	Chairman, Kuozui Motor Co., Ltd. Director, Carmax Co., Ltd. Director, Kuotu Motor, Co., Ltd. Director, Hotong Motor Investment Co., Ltd. Supervisor, Hotai Leasing Co., Ltd. Supervisor, Hoing Mobility Service Co., Ltd.	N/A	N/A	N/A	N/A
Executive Vice President	Taiwan	Liu, Yuan-Sen (Please refer to Note 1)	Male	July 1, 2017	993	0.0002%	99	0.00002%	0	0.0%	Master's in Development Studies, National Chengchi University	Chairman, Hotai Finance Co., Ltd. Chairman, Hotai Leasing Co., Ltd. Chairman, Hozao Enterprise Co., Ltd. Chairman, He Jing Co., Ltd. Chairman, He Jun Energy Co., Ltd. Director, Hotai Insurance Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Taiwan	Chen, Chien-Chou	Male	July 1, 2017	86	0.00002%	0	0.0%	0	0.0%	Department of Economics, Fu Jen Catholic University	Chairman, Hotai Mobility Service Co., Ltd. Chairman, Shanghai Hoyu Toyota Motor Service Co., Ltd. Chairman, Shanghai Hozhan Motor Service Co., Ltd. Chairman, Shanghai Heling Motor Service Co., Ltd. Chairman, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Shanghai Jiading Heling Lexus Motor Service Co., Ltd. Chairman, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Tangshan Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Zaozhuang Hoyu Toyota Motor Sales and Service Co., Ltd. Chairman, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Tianjin Hozhan Motor Service Co., Ltd. Chairman, Tianjin Hoyu Toyota Motor Sales & Service Co., Ltd. Chairman, Chairman, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Nanjing Hozhan Motor Service Co., Ltd. Chairman, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Director, Hotai Insurance Co., Ltd. Director, Central Motor Co., Ltd. Director, Shanghai Fengyi Construction Decoration Limited Company Supervisor, Yi Tai Transport Co., Ltd. Supervisor, Kuai Shun Storage and Transport Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Vice President	Taiwan	Huang, Ming-Hsien (Please refer to Note 1)	Male	July 1, 2019	0	0.0%	0	0.0%	0	0.0%	EMBA, Soochow University	Chairman, Innovation Auto Parts Co., Ltd. Chairman, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Chairman, Linyi Hoya Toyota Motor Sales & Service Co., Ltd. Chairman, Beijing Hoya Toyota Motor Sales & Service Co., Ltd. Chairman, Tianjin Binhai New Area Heling Lexus Motor Service Co., Ltd. Director and President, Kuotu Motor Co., Ltd. Director, Innovative Auto Parts and Accessories Co., Ltd. Supervisor, Ho-An Insurance Agency Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Taiwan	Fred Hsieh (Please refer to Note 1)	Male	July 1, 2020	0	0.0%	0	0.0%	0	0.0%	MBA, National Taiwan University	Chairman and President, Hoing Mobility Service, Co., Ltd. Director and President, Hotai Leasing Co., Ltd.	N/A	N/A	N/A	N/A
Vice President	Taiwan	Wu, Chia-Yen	Male	July 1, 2020	0	0.0%	0	0.0%	0	0.0%	Master's in Automotive Engineering Technology, Indiana State University	Director, Toyota Material Handling Taiwan Ltd. Director, He Jun Energy Co., Ltd. Director, Smart Design Technology Co., Ltd. Director, Yokohama Tire Taiwan Co., Ltd. Director, Ho-An Insurance Agency Co., Ltd. Director, Kuai Shun Storage and Transport Co., Ltd. Supervisor, Hochuan Insurance Agent Co., Ltd	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Liu, Chuan-Hung	Male	July 1, 2014	0	0.0%	0	0.0%	0	0.0%	EMBA, National Taipei University	Director, Eastern Motor Co., Ltd. Tau Miao Motor Co., Ltd. Director, Hotai Mobility Service, Co., Ltd. Director, Ho Tai Cyber Connection Co., Ltd. Director, Heng Yun Investment Co., Ltd. Director, Guangquan Machinery Co., Ltd. Director, Tongtai Asset Management Co., Ltd. Director, Tongyou Automotive Material Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Liu, Sung-Shan	Male	July 1, 2015	216	0.00004%	0	0.0%	0	0.0%	Master's in Public Policy, National Chung Hsing University	Director, Eastern Motor Co., Ltd. Supervisor, Taipei Toyota Motor Co., Ltd. Supervisor, Heng Yun Investment Co., Ltd. Supervisor, Formosa Container Transportation Company Limited Supervisor, Hua Tai Transport Co., Ltd. Supervisor, Hotai Coachwork Manufacturing Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Chief Officer	Taiwan	Wu, Pin-Tsung	Male	July 1, 2016	0	0.0%	0	0.0%	0	0.0%	Master's in Industrial Management, National Cheng Kung University	Director, Ho Tai Cyber Connection Co., Ltd. Director, Hochuan Insurance Agent Co., Ltd Director, Hotai Mobility Service, Co., Ltd. Supervisor, Eastern Motor Co., Ltd. Supervisor, Che-Chun Technology Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Yeh, Chia-Han	Male	July 1, 2017	600	0.0001%	0	0.0%	0	0.0%	Department of Aerospace Engineering, Tamkang University	Chairman, Hotai Auto Body Sales Co., Ltd Director, Chang Yuan Motor Co., Ltd. Director, Hotai Coachwork Manufacturing Co., Ltd. Director, Yi Tai Tong Yun Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Chief Officer	Taiwan	Wang, Shih-Hao (Please refer to Note 1)	Male	July 1, 2018	0	0.0%	0	0.0%	0	0.0%	Master's in Human Resources, University of California, Los Angeles	Director and President, Hotong Motor Investment Co., Ltd. Director and President, Tianjin Ho-Yi International Trading Co., Ltd. Director, Shanghai Hoyu Motor Service Co., Ltd. Director, Shanghai Hozhan Motor Service Co., Ltd. Director, Shanghai Heling Motor Service Co., Ltd. Director, Shanghai Hede Used Vehicle Co., Ltd. Director, Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. Director, Shanghai Jiading Heling Lexus Motor Service Co., Ltd. Director, Chongqing Heling Lexus Motor Sales & Service Co., Ltd. Director, Tangshan Heling Lexus Motor Sales & Services Co., Ltd. Director, Nanchang Heling Lexus Motor Sales & Service Co., Ltd. Director, Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Tianjin Heling Lexus Motor Sales & Service Co., Ltd. Director, Tianjin Hozhan Motor Service Co., Ltd. Director, Tianjin Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Tianjin Binhai New Area Heling Lexus Motor Service Co., Ltd. Director, Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. Director, Nanjing Hozhan Motor Service Co., Ltd. Director, Shanghai Fengyi Construction Decoration Limited Company Director, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Director, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Director, Linyi Hoyu Toyota Motor Sales & Service Co., Ltd. Director, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Director, Taizhou Zhong Du Lexus Motor Sales & Service Co., Ltd. Director, Taiyuan Zhong Du Heling Lexus Motor Sales & Service Co., Ltd. Director, Chongqing Yudu Toyota Sales Co., Ltd. Director, Chongqing Yurun Automobile Sales & Service Co., Ltd. Director, Chongqing Yuguo Automobile Accessory Co. Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Shanghai Ho-Kang Equipment leasing Co., Ltd. Director, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Managing Supervisor, Shanghai Zhongxin Traffic Facility Engineering Co., Ltd. Supervisor, Tianjin Yongda Communication Technology Co., Ltd. Supervisor, Shanghai Guangxin Culture & Media Co., Ltd. Supervisor, Shanghai Ho-Mian Auto Technology Co., Ltd. Supervisor, Shanghai Hoxin Motor Service and Consulting Co., Ltd. Supervisor, Shanghai HoChen Motor Technology Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Chief Officer	Taiwan	Lai, Chih-Wei (Please refer to Note 1)	Male	July 1, 2019	750	0.0001%	0	0.0%	0	0.0%	Graduate division of Business School, University of New South Wales	Director, Che-Chun Technology Co., Ltd. Supervisor, Smart Design Technology Co., Ltd. Vice President, CarMax Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Lai, Kuang Hsiung	Male	July 1, 2019	2,600	0.0005%	0	0.0%	0	0.0%	Graduate institute of Vehicle Engineering, National Taipei University of Technology,	Director, Eastern Motor Co., Ltd. Director, Formosa Container Transportation Company Limited Director, Hua Tai Transport Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Lu, Li-Yin (Please refer to Note 1)	Male	July 1, 2020	0	0%	0	0.0%	0	0.0%	Department of Mechanical Engineering, National Taipei University of Technology	Director and President, Chang Yuan Motor Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Japan	Kei Mizuguchi (Please refer to Note 1)	Male	April 6, 2021	0	0%	0	0.0%	0	0.0%	Nagoya University	Vice President, Carmax Co., Ltd.	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Han, Chih-Kang	Male	July 6, 2021	0	0%	0	0.0%	0	0.0%	Graduate Institute of Management Sciences, Tamkang University	N/A	N/A	N/A	N/A	N/A
Chief Officer	Taiwan	Weng, Ming-Lun	Male	July 6, 2021	0	0%	0	0.0%	0	0.0%	Graduate Institute of Management Sciences, Tamkang University	N/A	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

(Continued)

Title	Nationality	Name	Gender	Date Appointed	Shareholding		Shareholding of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Education and Experience	Current Positions Held at other Companies	Spouse or Familial Relationship within the Second Degree of Consanguinity also holding Management, Directorial, or Supervisory Positions			Remarks (Note 2)
					Number	%	Number	%	Number	%			Title	Name	Relationship	
Chief Officer	Taiwan	Huang, I-Jan (Please refer to Note 1)	Male	February 1, 2022	0	0.0%	340,198	0.06%	0	0.0%	Kellogg School of Management at Northwestern University, Hong Kong	Vice Chairman, Hoyun International Lease Co., Ltd. Director, Hotai Finance Co., Ltd. Director, Ho Tai Development Co., Ltd. Director, Hochuan Insurance Agent Co., Ltd Director, Ho-An Insurance Agency Co., Ltd Director, Hotong Motor Investment Co., Ltd. Director, Shanghai Fengyi Construction Decoraion Limited Company Director, Shanghai Hede Used Vehicle Co., Ltd. Director, Tianjin Ho-Yi International Trading Co., Ltd. Director, Zaozhuang Ho-Wan Motor Sales and Service Co., Ltd. Director, Beijing Ho-Yu Toyota Motor Sales & Service Co., Ltd. Director, Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. Director, Carmax Auto Tech (Shanghai) Co., Ltd. Supervisor, Triples Co., Ltd. Supervisor, Guangzhou GAC Business Changhe Automobile Technology Co., Ltd. Supervisor, Linyi Hoyu Toyota Motor Sales & Service Co., Ltd. Supervisor, Beijing Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Linyi Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Jinzhong Central Toyota Motor Sales & Service Co., Ltd. Supervisor, Tianjin Binhai New Area Heling Lexus Motor Service Co., Ltd. Supervisor, Nanjing Hozhan Motor Service Co., Ltd. Supervisor, Qingdao Heling Lexus Motor Sales & Service Co., Ltd. Supervisor, Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: Temporarily transferred to companies stated in the consolidated financial report and to companies invested by Hotai.

Note 2: If the president or someone of equivalent rank (i.e., the highest-ranking executive) and the chairman of the board are the same person, in a marital relationship with each other, or within the first degree of consanguinity, the company should provide information regarding the reasons, rationality and necessity for doing so and their corresponding measures (such as increasing the seats of independent directors and not having more than half of the directors serve as employees or officers of the company concurrently).

III. Corporate Governance

3.2.6 Remuneration Paid to Directors, President, and Vice Presidents of the Company Within the Last Year
(1) Director Remuneration

Unit: NT\$ thousands																								
Title	Name	Remuneration of Directors								Total Remuneration (A+B+C+D) as a % of Net Income (Note 7)		Compensation Received by a Director Who is an Employee of the Company and/or any Consolidated Entities								Total Compensation (A+B+C+D+E+F+G) as % of Net Income (Note 6)		Compensation Paid to Directors from Non-consolidated Affiliates or parent company (Note 8)		
		Base Compensation (A)(Note 1)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 2)		Allowances (D) (Note 3)				Salary, Bonuses, and Allowances (E)(Note 4)		Severance Pay and Pensions (F)		Profit Sharing-Employee Remuneration (G) (Note 5)								
		From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)	From Hotai		From All Consolidated Entities (Note 6)	From Hotai	From All Consolidated Entities (Note 6)				
Chairman/Director	Chun Yung Investment Co, Ltd.	29,520	29,520	0	0	192,880	192,880	80	80	2.78%	2.90%	0	0	0	0	0	0	0	0	2.98%	3.11%	0		
Director	Gui Long Investment Co., Ltd.	3,420	3,420	0	0	27,554	27,554	40	40			0	0	0	0	0	0	0	0			0	0	
Director	Yuan Tuo Investment Co., Ltd.	0	0	0	0	27,554	27,554	0	0			0	0	0	0	0	0	0	0			0	0	
Director	Li Gang Enterprise co., Ltd.	4,075	4,075	0	0	55,109	55,109	0	0			0	0	0	0	0	0	0	0			0	0	
Director	Yong Hui Development Co., Ltd.	0	0	0	0	55,109	55,109	30	30			0	0	0	0	0	0	0	0			0	0	
Director	Toyota Motor Corporation	0	0	0	0	27,554	27,554	0	0			0	0	0	0	0	0	0	0			0	0	
Chairman	Huang, Nan-Kuang (Authorized representative of Chun Yung Investment Co., Ltd.)	19,870	39,459	0	0	0	0	1,492	2,298			27,571	27,571	0	0	5,510	0	5,510	0			0	0	3,190
Director	Lin, Li-Hua (Authorized representative of Chun Yung Investment Co., Ltd.)																							
Director	Huang, Wen-Jui (Authorized representative of Chun Yung Investment Co., Ltd.)																							
Director	Huang, Chih-Cheng (Authorized representative of Chun Yung Investment Co., Ltd.)																							
Director	Su, Jean (Authorized representative of Li Kung Enterprise co., Ltd.)																							
Director	Su, Yi-Chung (Authorized representative of Yong Hui Development Co., Ltd.)																							
Director/President	Su, Chwen-Shing (Authorized representative of Li Gang Enterprise co., Ltd.)																							
Director/ Senior Manager	Soo, Leon (Authorized representative of Yong Hui Development Co., Ltd.)																							
Director	Ko, Junn-Yuan (Authorized representative of Yuan Tuo Investment Co., Ltd.)																							
Director	Chang, Shih-Yieng (Authorized representative of Gui Long Investment Co., Ltd.)																							
Director/Executive Vice President	Naganuma, Kazuo (Authorized representative of Toyota Motor Corporation)																							
Independent Director	Shih, Hsien-Fu	5,835	5,835	0	0	0	0	365	365			0	0	0	0	0	0	0	0			0	0	
	Su, Chin-Huo																							
	Wu, Shih-Hao																							
1. Please state the policy, system, standards, and structure of remuneration of independent directors, and describe the relevance between the amount of remuneration paid and their responsibilities, risks taken, and time invested: Remuneration of independent directors is determined pursuant to Hotai's <i>Articles of Incorporation</i> and is regularly reviewed by the Remuneration Committee based on their annual and long-term performance goals, as well as remuneration policies, systems, standards, and structures.																								
2. Remuneration received by any director of Hotai for the services provided in a non-employee capacity (e.g., as an advisor) to any consolidated entities in Hotai’s latest financial report except as otherwise disclosed herein: none.																								

III. Corporate Governance

Remuneration Paid to Directors	Director Remuneration by Range			
	Names of Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	From Hotai (Note 9)	From All Consolidated Entities (Note 10)	From Hotai (Note 9)	From All Consolidated Entities (Note 10)
NT\$ 0 – NT\$ 1,000,000	Su, Chwen-Shing; Su, Jean; Chang, Shih-Yieng	Su, Jean; Chang, Shih-Yieng	Su, Jean; Chang, Shih-Yieng	Su, Jean; Chang, Shih-Yieng
NT\$1,000,000 –NT\$2,000,000	Huang, Nan-Kuang; Naganuma Kazuo; Shi, Xian-Fu	Huang, Nan-Kuang; Naganuma Kazuo; Su, Chwen-Shing; Shi, Xian-Fu	Huang, Nan-Kuang; Shi, Xian-Fu	Huang, Nan-Kuang; Shi, Xian-Fu
NT\$2,000,000 –NT\$3,500,000	Lin, Li-Hua; Su, Yi-Chung; Huang, Chih-Cheng; Soo, Leon; Ko, Junn-Yuan; Huang, Wen-Jui; Su, Chin-Huo; Wu, Shih-Hao	Soo, Leon; Lin, Li-Hua; Huang, Wen-Jui; Su, Chin-Huo; Wu, Shih-Hao	Lin, Li-Hua; Su, Yi-Chung; Huang, Chih-Cheng; Soo, Leon; Ko, Junn-Yuan; Huang, Wen-Jui; Su, Chin-Huo; Wu, Shih-Hao	Soo, Leon; Lin, Li-Hua; Huang, Wen-Jui; Su, Chin-Huo; Wu, Shih-Hao
NT\$3,500,000 –NT\$5,000,000	–	Huang, Chih-Cheng	–	Huang, Chih-Cheng
NT\$5,000,000 – NT\$10,000,000	–	Ko, Junn-Yuan	–	Ko, Junn-Yuan
NT\$10,000,000 –NT\$15,000,000	–	–	–	–
NT\$15,000,000 – NT\$30,000,000	Yuan Tuo Investment Co., Ltd.; Toyota Motor Corporation	Su, Yi-Chung; Yuan Tuo Investment Co., Ltd.; Toyota Motor Corporation	Naganuma Kazuo; Su, Chwen-Shing; Yuan Tuo Investment Co., Ltd.; Toyota Motor Corporation;	Naganuma Kazuo ; Su, Chwen-Shing ; Su, Yi-Chung; Yuan Tuo Investment Co., Ltd.; Toyota Motor Corporation;
NT\$30,000,000 – NT\$50,000,000	Gui Long Investment Co., Ltd.; Li Gang Enterprise co., Ltd.; Yong Hui Development Co., Ltd.	Gui Long Investment Co., Ltd.;	Gui Long Investment Co., Ltd.; Li Gang Enterprise co., Ltd.; Yong Hui Development Co., Ltd.	Gui Long Investment Co., Ltd. Li Gang Enterprise co., Ltd.; Yong Hui Development Co., Ltd.
NT\$50,000,000 – NT\$100,000,000	–	Li Gang Enterprise co., Ltd.; Yong Hui Development Co., Ltd.	–	–
Over NT\$100,000,000	Chun Yung Investment Co, Ltd.	Chun Yung Investment Co, Ltd.	Chun Yung Investment Co, Ltd.	Chun Yung Investment Co, Ltd.
Total	20	20	20	20

Note 1 : Remuneration paid to directors in 2021, including salary, allowance, severance, all types of bonuses, and performance bonus.

Note 2 : Compensation paid to directors in 2021 approved by the Board of Directors.

Note 3 : Business expenses incurred by directors in carrying out their duties in 2021, including travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars. There is a total of NT\$669,000 paid to the company drivers as compensation that's not included in the amount of allowances shown herein.

Note 4 : Compensation received by a director who is an employee (whether serving concurrently in the position of president, vice president, executive officer, or employee) of Hotai and/or any consolidated entities in 2021, which includes salary, allowance, severance, all types of bonuses, performance bonus, travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars. There is a total of NT\$1,826,000 paid to the company drivers as compensation that's not included in the amount of allowances shown herein.

Note 5 : A director who is an employee of Hotai and/or any consolidated entities that received employee remuneration shall disclose the amount of employee profit-sharing approved by the Board of Directors in the latest year.

Note 6 : Disclosure of total remuneration paid to directors by Hotai and all consolidated entities.

Note 7 : Net income provided in the parent company only or separate financial statements of the last fiscal year; net income of Hotai as of December 31, 2021 was NT\$16,210,758,000.

Note 8 : Remuneration received by directors from non-consolidated affiliates or parent company.

Note 9 : The names of directors are disclosed in the applicable remuneration range according to the total remuneration paid to each director by Hotai.

Note 10 : The names of directors of Hotai and all consolidated entities are disclosed in the applicable remuneration range according to the total remuneration paid to each director by Hotai and all consolidated entities.

III. Corporate Governance

(2) Compensation Paid to President and Vice Presidents

NT\$ in Thousands														
Title	Name	Salary (A) (Note 1)		Severance Pay and Pensions (B)		Bonuses and Allowances (C) (Note 2)		Employee Profit Sharing (D) (Note 3)				Total Compensation (A+B+C+D) in % of Net Income (Note 5)		Compensation Received from Non- consolidated Affiliates or parent company (Note 6)
		From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	From Hotai	From All Consolidated Entities (Note 4)	From Hotai		From All Consolidated Entities (Note 4)		From Hotai	From All Consolidated Entities (Note 4)	
								Cash	Stock	Cash	Stock			
President	Su, Chwen-Shing	24,379	26,567	0	0	77,305	80,489	22,042	0	22,042	0	0.76%	0.80%	1,901
Executive Vice President	Kazuo Naganuma													
Executive Vice President	Liu, Yuan-Sen (Note 9)													
Vice President	Chen, Chien- Chou													
Vice President	Lai, Hung-Ta (Note 9)													
Vice President	Huang, Ming- Hsien (Note 9)													
Vice President	Fred Hsieh (Note 9)													
Vice President	Wu, Chia-Yen													

President and Vice President Compensation by Range

Compensation Paid to President and Vice Presidents	President and Vice Presidents	
	From Hotai (Note 7)	From All Consolidated Entities (Note 8)
NT\$0 – NT\$ 1,000,000	—	—
NT\$1,000,000 — NT\$2,000,000	—	—
NT\$2,000,000 – NT\$3,500,000	Kazuo Naganuma	Kazuo Naganuma
NT\$3,500,000 — NT\$5,000,000	—	—
NT\$5,000,000 – NT\$10,000,000	—	—
NT\$10,000,000 – NT\$15,000,000	—	—
NT\$15,000,000 – NT\$30,000,000	Su, Chwen-Shing; Liu, Yuan-Sen; Chen, Chien-Chou; Wu, Chia-Yen; Fred Hsieh; Lai, Hung-Ta; Huang, Ming-Hsien	Su, Chwen-Shing; Liu, Yuan-Sen; Chen, Chien-Chou; Wu, Chia-Yen; Fred Hsieh; Lai, Hung-Ta; Huang, Ming-Hsien
NT\$30,000,000 – NT\$50,000,000	—	—
NT\$50,000,000 – NT\$100,000,000	—	—
NT\$100,000,000 and above	—	—
Total	8	8

Note 1: Salary, allowance and severance paid to president and vice presidents in 2021.

Note 2: All types of bonuses, performance bonus, travel allowance, special allowance, other allowance, accommodation, and fringe benefits such as company cars paid or provided to president and vice president in 2021. There is a total of NT\$1,859,000 paid to the company drivers as compensation that’s not included in the amount of allowances shown herein.

Note 3: Compensation paid to president and vice presidents in 2021 approved by the Board of Directors.

Note 4: Compensation paid to president and vice presidents by Hotai and all consolidated entities.

Note 5: Net income provided in the parent company only or separate financial statements in the last fiscal year; net income of Hotai as of December 31, 2021 was NT\$16,210,758,000.

Note 6: Compensation received by president and vice presidents from non-consolidated affiliates or parent company.

Note 7: The names of president and vice presidents are disclosed in the applicable compensation range according to the total compensation paid to the president and each vice president by Hotai.

Note 8: The names of president and vice presidents are disclosed in the applicable compensation range according to the total compensation paid to the president and each vice president by Hotai and all consolidated entities.

Note 9: Personnel of Hotai temporarily transferred to a consolidated entity or an affiliate.

III. Corporate Governance

(3) Employee Profit Sharing Granted to the Management Team

Title		Name	Cash (NT\$) (Note 1)	Total (NT\$)	Total Amount in % of Net Profit
Executive Officers (Note 2)	President	Su, Chwen-Shing	47,746,863	47,746,863	0.29%
	Executive Vice President	Kazuo Naganuma			
	Executive Vice President	Liu, Yuan-Sen			
	Vice President	Chen, Chien-Chou			
	Vice President	Lai, Hung-Ta			
	Vice President	Huang, Ming-Hsien			
	Vice President	Fred Hsieh			
	Vice President	Wu, Chia-Yen			
	Chief Officer	Wang, Shih-Hao			
	Chief Officer	Kei Mizuguchi			
	Chief Officer	Liu, Chuan-Hung			
	Chief Officer	Liu, Sung-Shan			
	Chief Officer	Wu, Pin-Tsung			
	Chief Officer	Chen, Chun-Shan			
	Chief Officer	Yeh, Chia-Han			
	Chief Officer	Lai, Chih-Wei			
	Chief Officer	Lai, Kuang-Hsiung			
	Chief Officer	Lu, Li-Yin			
	Chief Officer	Han, Chih-Kang			
	Chief Officer	Weng, Ming-Lun			
	Financial Officer	Yu, Chun-Chien			
	Accounting Officer	Chen, Ting-Ju			

Note 1: Employee profit sharing granted to the management team approved by the Board of Director in 2021.

Note 2: According to Tai Cai Zheng San Zi letter No. 0920001301 issued by the FSC on March 27, 2003, executive officers eligible to participate in profit sharing are as follows:

- (1) President and equivalent job grade;
- (2) Vice president and equivalent job grade;
- (3) Director and equivalent job grade;
- (4) Chief financial officer;
- (5) Chief accounting officer; and
- (6) Any other individual who is in a management position or authorized to sign on behalf of the Company.

III. Corporate Governance

3.2.7 Analysis of Total Remuneration Received by Directors, Presidents and Vice Presidents from Hotai and all Consolidated Entities in Percentage of Net Income of Parent Company Only and Separate Financial Statements in the Most Recent Two Fiscal Years, and Remuneration Policy for Directors, President, and Vice Presidents.

(1) Analysis of total remuneration received by the directors, president, and vice presidents from Hotai and all consolidated entities in percentage of net income

	Hotai (Parent Company Only)		Consolidated Entities		Percentage Changes	
	Total Remuneration in % of Net Income		Total Remuneration in % of Net Income (%)		Hotai	Consolidated Entities
	2021	2020	2021	2020		
Director	2.98%	2.77%	3.11%	2.89%	0.21%	0.22%
President and Vice Presidents	0.76%	0.78%	0.80%	0.80%	-0.02%	0.00%

Description: The net profit of Hotai was NT\$16,210,758,000 as of December 31, 2021 and NT\$13,848,870,000 as of December 31, 2020.

(2) Remuneration policy, standard and package, as well as procedures for determining remuneration and relevance to business performance and future risks

- Remuneration Committee regularly reviews the annual and long-term performance goals of directors and officers, as well as the policies, systems, standards, and structure of remuneration, and regularly assess the achievement of the goals of directors and officers.
- Remuneration paid to the directors includes base compensation pursuant to Article 28 of the *Articles of Incorporation* of the Company, profit sharing, and allowance. Profit sharing is governed by Article 34 of the *Articles of Incorporation* of the Company that no more than two percent of the profit from the current year shall be allocated as directors' remuneration; travel allowance is only paid to those who attend the Board meetings.
- The Company conducts evaluations on overall Board performance and individual directors each year in accordance with the *Rules for Board Performance Evaluations*. The results of performance evaluation on the Board and individual directors in 2021 are excellent, indicating that the Company has a well-functioning Board. In addition to management's efforts, the directors have also made contributions to the Company's business performance in carrying out their duties and responsibilities. As a result, the directors' remuneration in 2021 mainly considers the overall business performance of the Company, including factors such as revenues, profits, and market share. To the extent that the requirements under the Articles of Incorporation are met, directors will receive their remuneration based on the percentage allocated from the Company's profits.
- Remuneration paid to officers includes salary, bonuses, and employee profit sharing, of which salary is paid in accordance with the Company's *Salary Payment Policy*. On the other hand, payment of bonuses and employee profit sharing are subject to our employee performance evaluation policy, while considering the Company's overall business performance, future operation risks in the industry, and development trends, as well as achievement rate of individual performance which is linked to officers' performance rating, bonus payments, and employee profit sharing received. The Remuneration Committee and the Board of Directors review relevant performance evaluations and whether the remuneration is appropriate. In addition, the Company also reviews and revises the remuneration policy from time to time as required by its operations and applicable laws to achieve a proper balance between sustainable operations and risk management for the Company.

III. Corporate Governance

3.3 Corporate Governance

3.3.1 Board of Directors

(1) Board of Directors Meetings: Eight (A) meetings were convened in 2021.

The attendance of directors is as follows:

Title	Name (Note 1)	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)(Note 2)	Remarks
Chairman	Chun Yong Investment Co, Ltd., represented by Huang, Nan-Kuang	8	0	100%	Director representatives of the 20 th Board; term of office began on June 20, 2019 after re-election
Director	Chun Yong Investment Co, Ltd., represented by Lin, Li-Hua	8	0	100%	
Director	Chun Yong Investment Co, Ltd., represented by Huang, Chih-Cheng	8	0	100%	
Director	Chun Yong Investment Co, Ltd., represented by Huang, Wen-Jui	8	0	100%	
Director	Yong Hui Development Co., Ltd., represented by Su, Yi-Chung	8	0	100%	
Director	Li Kung Enterprise Co., Ltd., represented by Su, Chwen-Shing	8	0	100%	
Director	Li Kung Enterprise Co., Ltd., represented by Su, Jean	8	0	100%	
Director	Yong Hui Development Co., Ltd., represented by Leon Soo	8	0	100%	
Director	Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	8	0	100%	
Director	Gui Long Investment Co., Ltd., represented by Chang, Shih-Yieng	8	0	100%	
Director	Toyota Motor Corporation, represented by Kazuo Naganuma	8	0	100%	
Independent Director	Shih, Hsien-Fu	8	0	100%	Director representatives of the 20 th Board; term of office began on June 20, 2019 after re-election
	Su, Chin-Huo	8	0	100%	
	Wu, Shih-Hao	8	0	100%	

Annotations:

- If any of the following event occurs, specify the date and session number of the Board meeting, summary of the proposal, the opinions of independent directors, and actions taken in response by the Company to address the opinions of independent directors:
 - Matters specified in Article 14-3 of the Securities and Exchange Act: Article 14-3 of the Securities and Exchange Act does not apply as the Company has already set up the Audit Committee.
 - There are no other resolutions on record or in writing which contain the independent directors dissenting or qualified opinion.
- Recusal of directors due to conflicts of interest
 - The 18th Meeting of the 20th Board was held on June 23, 2021 to discuss the following matter:
As the retirement gratuities pertains to the interests of all directors in attendance, Chairman Huang, Nan-Kuang, directors Mr. Su, Chwen-Shing, Mr. Kazuo Naganuma, Mr. Su, Yi-Chung, Ms. Lin, Li-Hua, Mr. Huang, Chih-Cheng, Mr. Ko, Junn-Yuan, Ms. Su, Jean, Mr. Chang, Shih-Yieng, Mr. Huang, Wen-Jui and Mr. Leon Soo, and independent directors Mr. Shih, Hsien-Fu, Mr. Su, Chin-Huo and Mr. Wu, Shih-Hao, each of the directors has recused themselves from the discussion and voting on the matter when relevant.
 - The 22nd Meeting of the 20th Board was held on December 23, 2021 to discuss the following matter:
As the decision to invest in He Jun Energy Co., Ltd. involves the interests of directors Mr. Su, Chwen-Shing, Mr. Leon Soo, Mr. Su, Yi-Chung and Ms. Su, Jean, each of the four directors has recused themselves from

III. Corporate Governance

Title	Name (Note 1)	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A)(Note 2)	Remarks
the discussion and voting when relevant.					
3. Objectives of the Company to strengthen the functions of the Board of Directors in 2020 and 2021 (e.g., establishing an audit committee and enhancing information transparency) and assessment of implementation:					
(1) The Board passed a resolution to set up a corporate social responsibility committee on December 27, 2018, delegated by the Board to coordinate the corporate social responsibility practices of the Company.					
(2) Hotai conducts a self-evaluation of Board performance evaluation in Q4 of every year and the most recent self-evaluation of Board performance was done in Q4 of 2020. Based on the results of a comprehensive evaluation, the Board functions very well. Every three years, the evaluation is performed by an external professional independent institution or a team of external experts and scholars. In the latest external evaluation in Q4 2021, we engaged the Taiwan Institute of Ethical Business and Forensics to conduct an evaluation on the performance of the Board of Directors in 2021. Based on the results of the evaluation, the Company has a well-functioning Board.					

Note 1: The name of an institutional shareholder and its representative shall be disclosed where the director or supervisor is a juristic person.

Note 2:

(1) If a director or supervisor resigns before the end of a fiscal year, the date of resignation shall be included in the remarks column. Rate of attendance in person (%) is calculated based on the total number of Board meetings held and the total number of Board meetings attended by a director or supervisor in person during their term.

(2) If a director or supervisor is re-elected before the end of a fiscal year, the names of the current and former directors or supervisors shall be included, and their appointment status and re-election date shall be noted in the remarks column. Rate of attendance in person (%) is calculated based on the total number of Board meetings held and the total number of Board meetings attended by a director or supervisor in person during their term.

3.3.2 Implementation of Board Evaluation

Frequency of Assessment	Term of Assessment	Scope of Assessment	Methods of Assessment	Items of Assessment
Self-evaluation is conducted once a year Independent external evaluation is conducted once every three years (2021 was the third year of a 3-year cycle)	An independent external evaluation is conducted on the performance of the Board during the period from January 1, 2021 to December 31, 2021	Evaluation of Board performance	1. Self-evaluation by the Board and members of the Board 2. The evaluation is carried out every three years by external professional independent institutions or external experts and scholar teams	1. The Board is assessed for their performance in the following five areas: (1) the level of participation in the Company's operation; (2) the improvement on the quality of decision-making by the Board; (3) the composition and structure of the Board; (4) the selection of directors and their training efforts; (5) internal control. 2. Individual Board members are assessed for their performance in the following six areas: (1) alignment with the objectives and mission of the Company; (2) competencies of the directors; (3) the level of

III. Corporate Governance

Frequency of Assessment	Term of Assessment	Scope of Assessment	Methods of Assessment	Items of Assessment
				participation in the Company's operation; (4) relationships and communication with other personnel within the Company; (5) the expertise of directors and their training efforts; (6) internal control.

3.3.3 Audit Committee

Hotai established an audit committee on June 21, 2016. Items that require the review and approval of the Audit Committee include:

- (1) Adoption and amendment of the internal control system according to Article 14-1 of the *Securities and Exchange Act*
- (2) Review of the effectiveness of the internal control system
- (3) Procedures governing important financial and business decisions, including acquisition and disposal of assets according to Article 36-1 of the *Securities and Exchange Act*, financial derivatives transactions, lending activities, and endorsement and guarantee of obligations for a third party
- (4) Matters that involve the interests of the directors
- (5) Transactions of major assets or financial derivatives
- (6) Major lending activities and endorsement or guarantee of obligations
- (7) Offer, issuance, and private placement of equity securities
- (8) Appointment, removal, and compensation of external auditors
- (9) Appointment and removal of chief financial officer, chief accounting officer, and chief internal audit officer
- (10) Annual financial reports signed off by the chairman of the Board, executive officers, and chief accounting officer, and Q2 financial statements pending the review of auditors.
- (11) Mergers and acquisitions under the *Business Mergers and Acquisitions Act*, which should comply with Article 6 of the said *Act* and *Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies in Mergers and Acquisitions*
- (12) Other important matters as may be provided by the Company's internal rules or prescribed by regulatory authorities

The Audit Committee met six (A) times in 2021. The attendance of independent directors is as

III. Corporate Governance

follows:

Title	Name	Number of Meetings Attended in Person (B)	Number of Meetings Attended by Proxy	Rate of Attendance in Person (%) (B/A) (Note)	Remarks
Independent Director	Su, Chin-Huo	6	0	100%	Current independent director; term of office began on June 20, 2019 after re-election
Independent Director	Wu, Shih-Hao	6	0	100%	Current independent director; term of office began on June 20, 2019 after re-election
Independent Director	Shih, Hsien-Fu	6	0	100%	Current independent director; term of office began on June 20, 2019 after re-election

Annotations:

- If any of the following event occurs, specify the date and session number of the Audit Committee meeting, summary of the proposals, dissenting or qualified opinions and key suggestions of independent directors, resolution of the Audit Committee, and the actions taken in response by the Company to address the opinions of the Audit Committee:

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

Date/Session No.	Summary of Proposals	Audit Committee Resolution	Actions Taken
January 21, 2021 8 th Meeting of the 2 nd Audit Committee	1. Proposal to invest in the stocks of listed companies 2. Proposal to contribute to the capital increase of Ho Tai Cyber Connection Co., Ltd. in cash	The proposals were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently submitted to the Board for resolution.	Approved by the Board
March 25, 2021 9 th Meeting of the 2 nd Audit Committee	1. FY2020 Statement of Internal Control 2. FY2020 Business Report and Financial Statements of the Company 3. FY2020 profit distribution plan 4. Proposal to acquire the rights to use real property owned by related parties 5. Compensation of the Human Resources Development Committee	The proposals were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently submitted to the Board for resolution.	Approved by the Board
May 12, 2021 10 th Meeting of the 2 nd Audit Committee	1. Proposed amount of endorsement and guarantee of obligations for affiliates in China in FY2021	The proposals were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently submitted to the Board for resolution.	Approved by the Board
June 23, 2021 11 th Meeting of the 2 nd Audit Committee	1. Appointment of chief internal audit officer	The proposals were approved without objection by all members of the Committee upon inquiry by the chairman of the meeting, and subsequently submitted to the Board for resolution.	Approved by the Board

III. Corporate Governance

November 11, 2021 13 th Meeting of the 2 nd Audit Committee	1. FY2022 Annual Audit Plan 2. Assessment of the independence of the Company's external auditors 3. Review of audit fees for the engagement of PricewaterhouseCoopers Taiwan to provide services in FY2022		
--	--	--	--

(2) None of the proposals fail to be approved by the Audit Committee but were instead passed by the resolution of more than two thirds of all Board members.

2. If an independent director is required to recuse himself due to conflicts of interest, specify the name of the independent director, summary of the proposal, reason for recusal, and whether such independent director has participated in the voting.

The 16th Meeting of the 20th Board was held on March 25, 2021 to discuss the following matter:
As the decision to appoint members of the Human Resources Development Committee pertains to the interests of independent directors Mr. Shih, Hsien-Fu, Mr. Su, Chin-Huo, and Mr. Wu, Shih-Hao, each of the directors has recused himself from the discussion and voting on the matter when relevant.

3. Communications between independent directors, chief internal audit officer, and external auditors

(1) Summary of communications between independent directors and external auditors:

Date	Discussion Points
March 18, 2021	<ul style="list-style-type: none">The Company's external auditors provided explanations to the independent directors regarding the audit of the Company's FY2020 Parent-Only Financial Statements and Consolidated Financial Statements and discussed with the independent directors on the results of key areas audited.Discussion and communication between the external auditor and independent directors on the issues raised.
August 2, 2021	<ul style="list-style-type: none">The Company's external auditors provided explanations to the independent directors regarding the audit of Hotai Group's FY2021 Consolidated Financial Statements and the Company's FY2021 Parent-Only Financial Statements.Discussion and communication between the external auditor and independent directors on the issues raised.

(2) Summary of communications between independent directors and chief internal control officer:

Date	Discussion Points
March 25, 2021	FY2020 Q4 internal audit execution report
May 12, 2021	FY2021 Q1 internal audit execution report
August 12, 2021	FY2021 Q2 internal audit execution report
November 11, 2021	FY2021 Q3 internal audit execution report

III. Corporate Governance

3.3.4 Corporate Governance

Evaluation Item	Implementation Status			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
1. Has the Company adopted and disclosed its corporate governance principles in accordance with <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> ?	V		We have adopted <i>Corporate Governance Best Practice Principles</i> in compliance with <i>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies</i> which is made available on both the Market Observation Post System and our corporate website.	Compliant
2. Shareholders structure and shareholders' rights (1) Has the Company set up internal operating procedures for handling shareholder suggestions, inquiries, disputes, and litigation matters? If so, have these procedures been implemented accordingly? (2) Does the Company keep track of the list of major shareholders having actual control of the Company, as well as the beneficial owners of such shareholders? (3) Has the Company built and implemented a risk management system and firewalls between the Company and its affiliates?	V		We have a spokesperson, a dedicated department, and a stock transfer agent to handle shareholder affairs. Additionally, we have also set up "Shareholder Service" and "Stakeholders Section" on our corporate website for shareholder inquiries and comments, which are processed and responded in accordance with relevant procedures. The structure of our major shareholders is solid. We constantly monitor shareholder ownership by reviewing the shareholder list provided by our stock transfer agent, and regularly reporting the shareholding changes of directors and management team. We have established <i>Regulations for the Operation of Affiliates Companies, Enforcement Rules of Regulations for the Operation of Affiliates Companies</i> and regularly monitor subsidiaries in accordance with internal control and audit systems in order to duly implement risk management of our subsidiaries.	Compliant
(4) Has the Company established internal rules prohibiting insider trading on nonpublic information?	V		In an effort to establish a well-functioning system for the processing and disclosure of material nonpublic information, we have adopted the <i>Procedures for Processing Material Nonpublic Information</i> , and formulated some guidelines for the <i>Management of Insider Trading Prevention</i> as part of the management procedures of our internal control which stipulates prohibitions on insider trading.	

III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	
<p>3. Composition and responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors adopted tangible management objectives under the diversity policy, and have the objectives been implemented accordingly?</p>	V	<p>The <i>Corporate Governance Best Practice Principles</i> adopted by the Company aims to strengthen the Company's corporate governance practices and to facilitate the development of a comprehensive Board structure. In particular, Article 20, Paragraph 3 of the <i>Principles</i> requires us to consider Board diversity. As a result, the number of directors who serve concurrently as executive officers of the Company shall not exceed one third of the Board seats. In addition, the <i>Principles</i> also provide guidelines on diversity based on the operation, nature of business activities and development needs of the Company.</p> <p>In 2021, we have a total of 14 directors, three of whom are independent directors. Two of the directors, President Su, Chwen-Shing and Executive Vice President Kazuo Naganuma, are also employees of the Company. Gender equality at Board level has always been something that we strive for. As such, we reevaluate the number of Board seats allocated to female directors before every election and take them into consideration in the nomination process. In the re-election in 2019, one female director was added to the Board, which makes a total of two female directors, accounting for 14.3% of the Board, a 7.2% improvement from the last election. Going forward, we will work towards increasing female representation on the Board (the goal is to achieve 33% of the total Board seats) and take those numbers into account at every election to gradually add more female directors; our next election will be in 2022. See Page 34 of this Annual Report for the Company's implementation of diversity policies.</p>	Compliant

III. Corporate Governance

(2) Other than the remuneration and audit committees which are required by law, has the Company set up other functional committees?	V	<p>In addition to setting up an audit committee and a remuneration committee as required by the law, the Board passed the resolution on December 27, 2018 to establish the Corporate Social Responsibility Committee (CSR Committee, which was renamed as the Sustainable Development Committee in 2021); the Committee is delegated by the Board. On the same day, Hotai adopted the <i>Corporate Social Responsibility Committee Charter</i>, which is now the <i>Sustainable Development Committee Charter</i>.</p> <p>The Sustainable Development Committee consists of 4 members, including independent directors Mr. Su, Chin-Huo and Mr. Wu, Shih-Hao, and directors Mr. Huang, Wen-Jui and Ms. Su, Jean. Mr. Wu, Shih-Hao is a professor in the Department of Marketing and Distribution Management at National Kaohsiung University of Science and Technology and former vice president of the Commerce Development Research Institute who has extensive experience in public welfare marketing. Mr. Su, Chin-Huo had formerly served as the president of Corporate Synergy Development Center and is committed to counseling the development and transformation of the industry. Both independent directors have professional capabilities in the area of CSR.</p> <p>The Sustainable Development Committee is charged with formulating sustainable development strategies and implementing and overseeing ESG practices of the Company. Three work groups are set up under the Committee to address various ESG topics concerned by stakeholders and to coordinate with relevant departments of the Company in carrying out the tasks. The Committee meets twice a year to adopt the annual sustainable development policies of the Company and review the implementation of environmental, social, and governance topics. Once a year, the ESG performance of the Company is presented at the Board meeting by the Sustainable Development Committee.</p> <p>The following is a summary of the activities of the Sustainable Development Committee in 2021:</p> <p>(1) The committee met twice in 2021; three of the members had an 100% attendance rate while one had a 50% attendance rate.</p> <table><tr><th>Session</th><th>Date of the Meeting</th><th>Content</th></tr><tr><td>5th Meeting of the 2nd Term</td><td>July 15, 2021</td><td>1. Operational report of the Environmental Protection Group</td></tr><tr><td>6th Meeting of the 2nd Term</td><td>December 7, 2021</td><td>2. Operational report of the Social Welfare Group 3. Operational report of the Corporate Governance Group</td></tr></table> <p>(2) The Sustainable Development Committee gave a report on its operations at the meeting of the Board of Directors on December 23, 2021.</p> <p>Apart from the above, we also have an Occupational Health and Safety Committee, Information Safety Committee, Environmental Management Committee, and CS Committee in place.</p>	Session	Date of the Meeting	Content	5 th Meeting of the 2 nd Term	July 15, 2021	1. Operational report of the Environmental Protection Group	6 th Meeting of the 2 nd Term	December 7, 2021	2. Operational report of the Social Welfare Group 3. Operational report of the Corporate Governance Group	Compliant
Session	Date of the Meeting	Content										
5 th Meeting of the 2 nd Term	July 15, 2021	1. Operational report of the Environmental Protection Group										
6 th Meeting of the 2 nd Term	December 7, 2021	2. Operational report of the Social Welfare Group 3. Operational report of the Corporate Governance Group										
(3) Has the Company established rules and methods for evaluating the performance of the Board of Directors	V	<p>We adopted the <i>Rules for Performance Evaluation of the Board of Directors of Hotai Motor</i> in the Board meeting held on December 29, 2016. Every year in December, the</p>	Compliant									

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
on an annual basis and report the results of the performance evaluation to the Board then apply the results as the reference for deciding individual directors' remuneration and nomination renewal?			performance of the Board for the fiscal year is reviewed and evaluated, which include the overall function of the Board and self-evaluations by individual directors. The results of the evaluation will be taken into consideration for the nomination of directors in the next director election.	
(4) Does the Company regularly evaluate its external auditor's independence?	V		Once a year, the independence of our external auditors is evaluated by the Audit Committee and the Board of Directors. On November 11, 2021, the Audit Committee and the Board of Directors met and reviewed the independence of our external auditors, Wu, Yu-Lung and Wang, Fang-Yu of PricewaterhouseCoopers Taiwan. It was confirmed that there is no conflict of interest or business relationship existing between the auditors and the Company other than audit fees paid for the services provided, and no other circumstances were found involving the family members of the auditors or their audit team that could impair their independence (see Note 1).	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
4. Has the Company established a department or position and appoint the supervisor to be responsible for the corporate governance that is tasked with corporate governance related matters(including but not limited to, providing directors and supervisors with information necessary to carry out their duties, assisting directors and supervisors to abide by laws, coordinating Board meetings and shareholders' meetings pursuant to proper legal procedures, company registration and request for change of registration information, preparing minutes of the Board meetings and shareholders' meetings)?	V		<p>On June 23, 2021, the Company passed a resolution to appoint a corporate governance officer in the 18th meeting of the 20th Board. The corporate governance officer is mainly responsible for the registration and transfer of shares, regulatory compliance relevant to listed companies, operations of shareholders meetings and Board meetings, and to provide information required for the Board of Directors to carry out their duties.</p> <p>Our key developments in 2021 are as follows:</p> <ol style="list-style-type: none"> 1. Arranged 6 hours of onsite training for the members of the Board and offered elective courses on a variety of corporate governance topics monthly. The average training hours of each director in 2021 were 7.9 hours, which exceeds the 6-hour minimum requirement of director training. 2. Provided Board members with the latest regulatory revisions and development related to the business operations and corporate governance of the Company when the directors took office, as well as routine updates. 3. Reviewed the confidentiality level of relevant information and provided Company information required by directors to maintain smooth communication and dialogue between directors and business executives. 4. Evaluated and purchased directors and officer's liability insurance, and presented important information such as the insured value, coverage, and premium rates at the Board meeting. 5. Conducted external Board performance evaluation pursuant to the Company's <i>Rules for Board Performance Evaluations</i> at the end of 2021 and presented the results of evaluation at the first Board meeting in January 2022. 6. Registered the date of the annual general meeting of the shareholders as required by the law, prepared and filed meeting notice, handbook and minutes within the prescribed period, and filed for change of information when the <i>Articles of Incorporation</i> was amended or after an election of the Board of Directors. 7. Handled matters related to Board meetings in accordance with the law and produced and sent minutes. 8. Implemented internal audit and control system and convened meetings with external auditors, independent directors, chief internal audit officer, and chief financial officer at regular intervals. 	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
5. Has the Company established communication channels for its stakeholders (including but not limited to shareholders, employees, customers and suppliers) or created a stakeholders' section on its corporate website? Does the Company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		We value our relationships with major stakeholders and ensure that we meet their expectations and respond to their needs. We have established various communication channels to collect their suggestions, including a 0800 toll-free number, a "Stakeholders Section" on our corporate website and a social media site to provide timely response to stakeholders. It is the feedbacks of our stakeholders that drive us to surpass ourselves. In addition to the above measures, we will keep increasing communication with stakeholders to meet public expectations and incorporate these conversations into our future business plans. Hotai also discusses economic, social and environmental issues raised by stakeholders, and report to the Board every year in December.	Compliant
6. Has the Company appointed a professional stock transfer agent for its shareholders' meetings?	V		We have appointed President Securities Corporation to handle matters relating to our shareholders' meetings.	Compliant
7. Information disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business, and corporate governance? (2) Does the Company use other disclosure channels (e.g., maintaining an English-language website, designated personnel to collect and disclose the Company's information, appointed spokesperson, investor conference webcast)? (3) Does the Company publicly announce and register the annual financial report within two months after the end of the fiscal year, and publicly announce and register the Q1, Q2, and Q3 financial reports and the monthly operating status early within the prescribed time limit?	V V V		We have an "Investor Relations" section on our corporate website (www.hotaimotor.com.tw) for the purpose of disclosing financial and business information, which is regularly updated. We maintain a Chinese-language and English-language website. Our External Affairs and Legal Division is responsible for collecting and disclosing the Company's information and regularly updating the information on our website. We have a complete spokesperson system that is regulatory compliant, with Chief Officer Mr. Liu, Sung-Shan being the spokesperson and manager Ms. Hsieh, Chin-Yun as the acting spokesperson. In 2021, four road shows were held. Materials of the presentation have been made available on the Company's website and the Market Observation Post System. Hotai has complied with applicable laws in posting a public announcement and filing the annual financial report within three months after the close of the fiscal year, as well as the financial statements from Q1 to Q3 and monthly financial performance report within the prescribed period.	Compliant
8. Has the Company disclosed other information which may facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, director and supervisor training, risk management policy and risk assessment measures, the implementation of customer relations policy, and the Company purchasing liability insurance for its directors and supervisors)?	V		(1) Employee rights: we regularly hold labor-management meetings and have an employee suggestion box in place in accordance with the <i>Labor Standards Act</i> and pursuant to our human resources policies to protect employee rights. (2) Employee wellness: we engage specialists and institutions to provide employee assistance programs, including healthcare consultation, fitness courses, and on-the-job development training. (3) Investor relations: protecting shareholder interests is our top priority, and we treat all shareholders equally. We also promptly disclose important information regarding the Company's finances, operations, and changes in shareholding of insiders on the Market Observation Post System as required by law. (4) Supplier relations: we maintain close working relationships and open communication channels with our suppliers and respect and protect their lawful rights. Together with our suppliers, we strive to provide better products and services to our consumers and establish a value chain with sustainable development capabilities.	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	
		<p>(5) Stakeholder rights: we value the opinions and suggestions of our stakeholders, whether they are customers, partners, employees, shareholders, investors, or the local community. It is our stakeholders that propel us to continue to improve and excel, thereby creating a virtuous cycle that benefits the society as a whole.</p> <p>(6) Director and supervisor training: we provide director and supervisor training in accordance with the <i>Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies</i>. Please refer to the appendix in this chapter for "Training and Continuing Education of Directors and Supervisors".</p> <p>(7) Risk management policy and risk assessment measures: all the important resolutions of the Company, such as major operation policies, investments, endorsements and guarantees, fund lending, bank financing, are assessed and analyzed by responsible departments and implemented in accordance with the decisions of the Board of Directors. The Auditing Division also adopts annual audit plan based on the results of risk assessment in order to implement supervisory mechanism and monitor the execution of risk management.</p> <p>(8) Implementation of customer relations policies: our objective is to create services that exceed customer expectations. We provide comprehensive customer services through our customer hotline, customer care, vehicle sales, maintenance services, logistics system, information integration system, as well as implementation of the "Toyota Way", i.e., continuous improvement and respect for people.</p> <p>(9) Directors and Officers liability insurance purchased by the Company: we have purchased liability insurance for our directors and key officers.</p>	
<p>9. Based on the most recent Corporate Governance Evaluation Results released by the Taiwan Stock Exchange Corporate Governance Center, please provide a description of the areas improved, and priorities and measures to be taken on areas identified for improvement:</p> <p>Our score in the 8th Corporate Governance Evaluation ranks top 6-20%. Going forward, we will continue to strengthen our corporate governance practices and make improvements in the following areas:</p> <p>(1) Interim report will require the approval of Audit Committee and Board of Directors.</p> <p>(2) Evaluate the performance of functional committees (i.e., Remuneration Committee and Audit Committee) annually.</p> <p>(3) File and upload the English version of the Sustainability Report.</p> <p>(4) Disclose information regarding governance and risk management of climate risks and opportunities based on TCFD framework.</p>			

III. Corporate Governance

Note 1: Evaluation of External Auditor's Independence

Item	Standards of Evaluation	Evaluation Results	Independence
1	Does the auditor or their spouse or children that are minors have any investment or financial interests in the Company?	No	Yes
2	Except in the case that the Company is a financial institution and the loan is obtained under its normal lending procedures, terms, and requirements, does the auditor or their spouse or children that are minors have any loan to or from the Company?	No	Yes
3	Does the auditor or any person on the audit engagement team currently serve or has served within the last two years as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
4	Has the auditor or any person on the audit engagement team promoted or acted as an intermediary for the shares or securities issued by the Company?	No	Yes
5	Has the auditor or any person on the audit engagement team acted as an advocate for the Company in a legal proceeding or dispute against a third party in providing non-audit services other than as permitted by the law?	No	Yes
6	Does the auditor or any person on the audit engagement team has a familial relationship with a director, officer, or any person holding a position at the Company that has significant influence on the audit of the Company, including spouse, lineal ascendant or descendant, spouse's lineal ascendant or descendant, or blood relative within the second degree of kinship?	No	Yes
7	Has any individual formerly employed by the auditor within the last year been employed by the Company to serve as a director, officer, or other position at the Company that has significant influence on the audit of the Company?	No	Yes
8	Has the auditor or any person on the audit engagement team accepted any gift of significant value or preferential treatment from the Company or any of its directors, officers, or major shareholders?	No	Yes
9	Is the auditor currently employed by the Company to regularly perform services and receive fixed payment, or serving as a director or supervisor of the Company?	No	Yes

III. Corporate Governance

Appendix 1: Training and Continuing Education of Directors

Name	Date	Sponsoring Organization	Course Title	Hours
Huang, Nan-Kuang; Su, Chwen-Shing; Kazuo Naganuma; Su, Yi-Chung; Lin, Li-Hua; Huang, Chih-Cheng; Ko, Junn-Yuan; Su, Jean; Huang, Wen-Jui; Chang, Shih-Yieng; Leon, Su; Shih, Hsien-Fu; Su, Chin-Huo; Wu, Shih-Hao	May 12, 2021	Taiwan Institute of Directors	Ubiquinomics: Opportunities and Risks of Artificial Intelligence	3
Huang, Nan-Kuang; Su, Chwen-Shing; Kazuo Naganuma; Su, Yi-Chung; Lin, Li-Hua; Huang, Chih-Cheng; Ko, Junn-Yuan; Su, Jean; Huang, Wen-Jui; Chang, Shih-Yieng; Leon, Su; Shih, Hsien-Fu; Su, Chin-Huo; Wu, Shih-Hao	September 28, 2021	Taiwan Institute of Directors	The Future of Talent in the Digital Age	3
Huang, Wen-Jui	November 5, 2021	Taiwan Corporate Governance Association	10 Fundamental Lessons of Corporate Governance	3
Su, Chin-Huo	January 19, 2021	Taiwan Corporate Governance Association	The Catalysts for Corporate Sustainability—CSR, ESG, and SDGs	3
	March 15 2021	Securities & Futures Institute	2021 Economic Outlook and Industry Trends	3
	April 23, 2021	Taiwan Corporate Governance Association	Operations and M&A Strategies of Overseas Taiwanese Businesses from a Global Political Economy Perspective	3
	April 28, 2021	Taiwan Corporate Governance Association	How Can Issuers Develop and Implement ESG: A Discussion From Foreign Investors' Perspective and Their Voting Behavior	1
	October 8, 2021	Taiwan Institute of Directors	Post-Pandemic Kinematics: Six Keys to Unlocking the Growth Potential of Your Business Module 1: Growth Strategies and Core Competencies	2
	October 22, 2021	Taiwan Institute of Directors	Post-Pandemic Kinematics: Six Keys to Unlocking the Growth Potential of Your Business Module 2: Material Transactions—Mergers and Acquisitions	2
	December 22, 2021	Taiwan Corporate Governance Association	Corporate Governance Forum: Implementing ESG to Achieve Governance and Sustainability	6
Wu, Shih-Hao	December 23, 2020	Securities & Futures Institute	2021 Insider Trading Information Session	3

Appendix 2: Training and Continuing Education of Executive Officers of Hotai Motor and Directors, Supervisors of its Affiliates

Name	Date	Sponsoring Organization	Course Title	Hours
Liu, Yuan-Sen; Lai, Hung-Ta; Chen, Chien-Chou; Huang, Ming-Hsien; Wu, Chia-Yen; Fred Hsieh; Hsiao, Hsing-Chien; Liu, Sung-Shan; Wu,	May 12, 2021	Taiwan Institute of Directors	Ubiquinomics: Opportunities and Risks of Artificial Intelligence	3

III. Corporate Governance

Pin-Tsung; Yeh, Chia-Han; Lai, Chih-Wei; Lu, Li-Yin				
Liu, Yuan-Sen; Lai, Hung-Ta; Chen, Chien-Chou; Huang, Ming-Hsien; Wu, Chia-Yen; Fred Hsieh; Liu, Sung-Shan; Wu, Pin-Tsung; Lai, Chih-Wei; Lu, Li-Yin	September 28, 2021	Taiwan Institute of Directors	The Future of Talent in the Digital Age	3

III. Corporate Governance

3.3.5 Composition and Operations of Remuneration Committee

(1) Remuneration Committee Members

	Shih, Hsien-Fu <i>Independent Director & Chair</i>	Su, Chin-Huo <i>Independent Director</i>	Wu, Shih-Hao <i>Independent Director</i>
Professional Qualifications and Experience	Mr. Shih has a bachelor's degree in law from National Chung Hsing University. He was the former president of Kuotu Motor Co., Ltd. and has had over five years of work experience in business, finance and other areas as may be required for the operations of the Company. He currently serves as an independent director of Hotai Motor Co., Ltd.	Mr. Su has a master's degree in industrial systems engineering and management from Asian Institute of Technology. He was the former president of the Corporate Synergy Development Center and senior executive officer of Industrial Development Bureau, MOEA and has had over five years of work experience in business, finance and other areas as may be required for the operations of the Company. He currently serves as an independent director of Hotai Motor Co., Ltd.	Mr. Wu has a PhD in business administration from National Taipei University. He was the former vice president of the Commerce Development Research Institute and professor of the Department of Marketing and Distribution Management at National Kaohsiung University of Science and Technology; he has had over five years of work experience in business, finance and other areas as may be required for the operations of the Company. He currently serves as an independent director at Hotai Motor Co., Ltd.
Independence Status	See page 33 of this Annual Report		
Number of Other Public Companies at Which the Individual Serves Concurrently as an Independent Director	None	None	None

(2) Attendance of Remuneration Committee Members

- (a) The Remuneration Committee consists of three members.
- (b) The Remuneration Committee regularly reviews the annual and long-term performance goals of the directors and executive officers, as well as the remuneration policy, system, standard and structure of the Company, and measure the progress of those performance

III. Corporate Governance

goals.

- (c) The term of the current members is from June 28, 2019 to June 27, 2022. In 2021, five (A) Remuneration Committee meetings were convened. The attendance of the Remuneration Committee members is as follows:

Title	Name	Attendance in Person (B)	Attendance By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Chair	Shih, Hsien-Fu	5	0	100%	Re-elected on June 28, 2019
Member	Wu, Shih-Hao	5	0	100%	Re-elected on June 28, 2019
Member	Su, Chin-Huo	5	0	100%	Re-elected on June 28, 2019
<p>1. Summary of the activities of the Remuneration Committee in 2021</p> <p>(1) The Remuneration Committee convened five meetings in March, May, June, August, and November respectively to discuss the following:</p> <ul style="list-style-type: none"> • Amount of directors and employee remuneration • Retirement gratuities for Board members • Attendance fee of Human Resources Development Committee members • Executive officer merit increase • Executive officer performance-based bonus and employee remuneration • Executive officer remuneration policy planning <p>(2) The above items have been reviewed and approved by the Remuneration Committee</p> <p>2. Annotations</p> <p>(1) The Board of Directors declines or revises the recommendations of the Remuneration Committee: none.</p> <p>(2) Dissenting or qualified opinion expressed on record or in writing by a member on the Remuneration Committee's resolutions: none.</p>					

Note:

- (1) If a member of the Remuneration Committee resigns before the end of the fiscal year, the date of resignation shall be noted in the remarks column. The rate of attendance in person (%) will be calculated based on the number of meetings convened and the number of meetings attended by the member in person during their term.
- (2) If a Remuneration Committee member is re-elected before the end of the fiscal year, the name of current and previous members shall be included and their appointment status and re-election date shall be disclosed in the remarks column. The rate of attendance in person (%) is calculated based on the number of meetings convened and the number of meetings attended by the member in person during their term.

III. Corporate Governance

3.3.6 Corporate Social Responsibility & Deviation from the *Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies* and Reasons for Deviation

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation												
	Y	N	Summary													
1. Has the Company established a governance framework for sustainability development and a dedicated (ad-hoc) sustainable development organization where the Board of Directors delegates responsibilities to senior management under its oversight?	V		<p>In 2018, the Board passed a resolution to set up a Corporate Social Responsibility (CSR) Committee, which directly reports to the Board. In 2021, the committee is renamed as the Sustainable Development Committee. The Committee is made up of directors and independent directors of the Company and is delegated by the Board to formulate sustainable development strategies, and implement, oversee relevant practices of the Company. Under the Committee, there are three work groups charged with the responsibilities to operate on various topics concerned by interested parties and support tasks run by relevant departments. The Committee meets twice a year, and through regular meetings, the Committee adopts the Company’s annual sustainable development policies and reviews the implementation progress of environmental, social, and governance topics. Once a year, the Committee presents the implementation results to the Board.</p> <p>Our 2022 sustainable development plans are as follows:</p> <table><tr><td rowspan="2">Environmental</td><td>1. Become the benchmark for environmental management best practice in the Asia-Pacific region</td></tr><tr><td>2. Extend the environmental influence of our brand and organization</td></tr><tr><td rowspan="5">Social</td><td>1. Integrate our core business, brand, and volunteer resources in building a corporate image that boasts mobility services with a human touch, amplifying the ripple effects from our CSR efforts</td></tr><tr><td>2. Protect Taiwan’s land in its most natural state and its people and engage with the locals through community outreach</td></tr><tr><td>3. Cultivate art and culture</td></tr><tr><td>4. Build a better employer brand</td></tr><tr><td>5. Promote Group-wide team building activities and resume softball friendlies</td></tr><tr><td rowspan="2">Governance</td><td>1. Refine corporate governance practices to achieve more advantages for the sustainability development of the Group</td></tr><tr><td>2. Control the Group’s risks of non-compliance and strengthen management mechanism through assessment and training</td></tr></table>	Environmental	1. Become the benchmark for environmental management best practice in the Asia-Pacific region	2. Extend the environmental influence of our brand and organization	Social	1. Integrate our core business, brand, and volunteer resources in building a corporate image that boasts mobility services with a human touch, amplifying the ripple effects from our CSR efforts	2. Protect Taiwan’s land in its most natural state and its people and engage with the locals through community outreach	3. Cultivate art and culture	4. Build a better employer brand	5. Promote Group-wide team building activities and resume softball friendlies	Governance	1. Refine corporate governance practices to achieve more advantages for the sustainability development of the Group	2. Control the Group’s risks of non-compliance and strengthen management mechanism through assessment and training	Compliant
Environmental	1. Become the benchmark for environmental management best practice in the Asia-Pacific region															
	2. Extend the environmental influence of our brand and organization															
Social	1. Integrate our core business, brand, and volunteer resources in building a corporate image that boasts mobility services with a human touch, amplifying the ripple effects from our CSR efforts															
	2. Protect Taiwan’s land in its most natural state and its people and engage with the locals through community outreach															
	3. Cultivate art and culture															
	4. Build a better employer brand															
	5. Promote Group-wide team building activities and resume softball friendlies															
Governance	1. Refine corporate governance practices to achieve more advantages for the sustainability development of the Group															
	2. Control the Group’s risks of non-compliance and strengthen management mechanism through assessment and training															

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<div>3. Develop a standard operating procedure for signing contracts and conduct training to ensure that there are zero defects in the process of creating purchase orders</div> <div>4. Reinforce regulatory compliance within the organization using a variety of methods and new media to continue raising employees' compliance awareness</div>	
2. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the principle of materiality, and formulated relevant risk management policies or strategies?	Y		<p>The automotive industry is facing a major once-in-a-century transformation. In order to respond to the changes, we will be required to make better decisions and increase operational efficiency. Our stakeholders who take particular interests in environmental, social, and governance topics now have higher expectation of the Company's non-financial performance. We work towards incorporating various aspects of these issues into long-term organizational strategies, risks and opportunities to create value for the primary stakeholders. As part of the preparation of the report, we follow the recommendations of the GRI Standards in the context of sustainability when identifying sustainability topics. Therefore, in addition to using relevant international corporate social responsibility standards and reporting guidelines as references, including GRI, SDGs and ISO 26000, we go beyond existing frameworks to consider topics related to the risks and opportunities of global sustainability development, feedback from our stakeholders, trends that are specific to the automotive industry and the recommendations from external experts.</p> <p>For Hotai Motor, each aspect of risk management is vital to our operations. Across departments, we identify potential risks with the utmost caution and determine the magnitude of impact and frequency of occurrence. We also consider the interrelations between the risk factors and different functions. Based on the policies approved by the Board, the Financial and Accounting Division conducts long-term research, assessment, prevention, and mitigation on the contingent financial risks due to interest rate and exchange rate fluctuation, inflation, and deflation.</p> <p>We do not engage in any high-risk, high-leverage investments. Each subsidiary within our Group is required to adopt their own <i>Operating Procedures for Fund Lending</i> and <i>Procedures for Providing Endorsement and Guarantee of Obligations</i> to guide and manage relevant operations, and every transaction of derivatives should follow Hotai Motor's <i>Procedures for Engaging in Derivative Transactions</i>.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
3. Sustainable Environment Development				
(1) Has the Company established a proper environmental management system based on the industry characteristics?	V		<p>1. We use the Toyota Earth Charter as an overarching guiding principle in promoting and implementing environmental principles and initiatives. The Charter outlines four principles and guidelines in order to achieve the six challenges under the TOYOTA Environmental Challenge 2050: (1) New vehicle zero CO2 emissions challenge (2) Life cycle zero CO2 emissions challenge (3) Plant zero CO2 emissions challenge (4) Challenge of minimizing and optimizing water usage (5) Challenge of establishing a recycling-based society and systems (6) Challenge of establishing a future society in harmony with nature.</p> <p>2. In 2001, we established the Environmental Management Committee, and together with our dealers, set up the Office of Environmental Committee. The Environmental Management Committee meets internally as well as with dealers every six months. Starting this year, we are including Hotai's affiliates (See Note 1) as part of our Environmental Management Committee structure and helping each affiliated company set up their own environmental management committee to create a more robust environmental management system for the Group, fully implementing the management system. Through the implementation of environmental projects and programs, we work together with dealers towards achieving our commitments and goals for the environment. To mitigate the potential negative impact from our sales and vehicle maintenance services and fulfill our commitment to environmental protection and sustainable operations, we have adopted the ISO 14001 standards (see Note 2) in implementing and maintaining the environmental management systems. We conduct internal audit and external review to ensure that the environmental management operations are functioning effectively. Furthermore, we adopt the PDCA cycle to improve and mitigate the environmental impact resulting from our operations. We are committed to supporting our partners' environmental initiatives to ensure that all areas of our operations are being considered for environmental risks. Apart from that, we also fully cooperate with TMC's requirements of environmental protection. Based on policy implementation and results of the Group, we will make disclosures to the public and communicate with stakeholders.</p> <p>Note 1: These affiliates include Hotai Finance, Hotai Insurance, CarMax, Hotai Development, Hotai Leasing, Chang Yuan Motor, Hotai Material Handling, Hoing Mobility, Ho Tai Cyber Connection, and Hotai Mobility. Note 2: Our ISO14001 certification is valid from January 18, 2020 to January 17, 2023.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
(2) Does the Company endeavor to improve resource efficiency and use renewable materials that have low environmental impact?	V		<ol style="list-style-type: none"> 1. In order to minimize the environmental impact of vehicle maintenance activities, we have acquired and adopted various pollution prevention equipment and process, starting from smaller environmental improvements and energy saving activities. At present, we have come up with solutions to address issues regarding centralized lubrication systems, volatile organic compounds, rebuilt parts and environmentally hazardous substances, which are also implemented by our dealers and suppliers. 2. To prevent refrigerant from emitting to the atmosphere causing ozone depletion and increasing greenhouse gas level, we became the first in the industry in 1991 to invest approximately NT\$50 million to install R12 and R134a refrigerant recovery machines at the service workshops of our dealers in Taiwan. The machines can effectively recycle, and store residual refrigerant. Recovered refrigerant can be purified and reclaimed, then be reused on vehicles after repairing or servicing. In 2021, the R134a machines recovered 24.6 tons of refrigerant, which prevents approximately 31,980 tons of CO2 emissions if measured at the global warming rate (GWP) of 1,300. 3. Since 2003, we have been working with our partners to install centralized lubrication systems at the dealerships to reduce plastic bottle waste while continuing to implement waste reduction measures. On average, we reduce millions of lubrications bottles each year. As of the end of 2021, we have reduced an accumulated bottle waste of 50 million, which greatly reduce carbon emissions and plastic waste. 4. Auto parts recycling represents a key effort as we move towards a more circular economy. Once we collect the original manufactured parts from the vehicles, we replace or repair the damage with auto parts from the original manufacturer; we also encourage consumers to use rebuilt parts by offering a lower price. Currently, we offer the following rebuilt parts: automatic transmissions, A/C compressors, power steering systems/pumps, and hybrid batteries. 	Compliant
(3) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, as well as take measures to address climate-related issues?	V		<ol style="list-style-type: none"> 1. We have identified major risks and formulated countermeasures for "Regulations", "Market", "Goodwill", and "Extreme Climate Events". 2. For "Extreme Climate Events", the main risk, such as tropical cyclones, heavy rainfall or ice and snow, caused by climate change, might cause delays in the delivery of products and parts or affect operating efficiency and on-time delivery rates, and impact market sales performance. We had established a complete stock distribution and notification management system to cope with any emergency situation and to minimize the impact of the extreme climate events. 	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviation
	Y	N	Summary	
(4) Does the company count the amount of greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management measures?	V		<p>1. GHG inventory is measured by CO₂e (see Note 1) based on the use of electricity, petroleum, diesel, gas, and natural gas at our head office and facilities (including our Taipei headquarters and facilities in Xinzhuang and Yangmei). In 2021, the total GHG emissions were 1,200 CO₂e, 88% was from electricity use. As a result, Scope 2 indirect emissions were the main source of our carbon emissions. On the other hand, when measured by GHG emission intensity (CO₂e per capita), the emissions intensity in 2021 was 2.31, which was down by 21% from 2.94 in 2020. Our energy consumption decreased as a result of energy saving measures and the shift to working from home due to the pandemic.</p> <p>2. Water consumption data is measured under the same scope as GHG emissions (including our Taipei headquarters and facilities in Xinzhuang and Yangmei). Since we source water from Taiwan Water Corporation, our water use does not create significant impact on any water sources. The wastewater we generate is equivalent to the total water used and is fully discharged to the government's underground wastewater system. In 2021, Hotai Motor used 18,000 cubic meters of water, which was approximately 7.6% lower than the year before.</p> <p>3. Hotai Motor has no manufacturing activities. Therefore, data of waste produced is collected based on non-hazardous waste (e.g., general waste) under the same scope as GHG emissions (including our Taipei headquarters and facilities in Xinzhuang and Yangmei). In 2021, we generated a total of 57 tons of waste, which is reduced by 14.3% from the year before.</p> <p>4. TMC's Toyota Earth Charter acts as an overarching guiding principle for our vision of environmental sustainability, which incorporates environmental protection and a harmonious society into the core of our operations. Additionally, we conduct medium and long-term planning as Hotai Motor moves to achieve the end goal of protecting planet Earth. Our environmental sustainability policy encompasses four key aspects—government policy, sustainable use of resources, safe working environment, and increased environmental awareness, which propels us to move towards a more sustainable development of our business. Our goals in 2021 were to reduce CO₂ emissions by 6% and water/waste by 2%. A review of all the environmental performance data from last year confirmed that we've met the reduction targets across all categories.</p> <p>Note 1: The source of emission factors is GHG Emission Factors Table version 6.0.4, and the global warming potential (GWP) rate uses IPCC's AR5 values.</p>	Compliant
4. Promotion of Social Welfare				

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
(1) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>In order to fulfill corporate social responsibility and protect the basic human rights of employees and stakeholders, we support and voluntarily follow international human rights convention, <i>The Universal Declaration of Human Rights</i>, to show our respect to human rights recognized by international community. We also follow the labor standards set by the International Labor Organization to protect the legal rights and interests of employees, fully embody the responsibility to respect and protect human rights, treat with dignity and respect all employees, including salaried personnel and interns. The human rights issues concerned by us and our management policies are as follows:</p> <ol style="list-style-type: none"> 1. <i>Fair Working Environment & Employee Code of Conduct</i>. We ensure full compliance with applicable labor laws and regulations, encourage and support the personal development of employees, and create a safe and harmonious working environment by offering equal opportunities to our employees and maintaining fair and stable working conditions. Each employee is expected to respect and support human rights without any discrimination against gender, age, nationality, race, ethnicity, religion, denomination, physical or mental disability, marital status, or family background. We ensure that there are no violations of human rights, such as forced labor, child labor and harassment. We have a zero-tolerance policy for discrimination and infringement of the rights of another. 2. We provide effective protection of labor rights and friendly and harmonious labor relations. We implement fair benefits, training, evaluation and promotion opportunities and provide an effective and appropriate grievance mechanism to avoid matters that jeopardize employees' rights and interests. 3. We have adopted the Guide on Workplace Sexual Harassment Prevention pursuant to the Act of Gender Equality in Employment and Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace promulgated according to Article 13, Paragraph 3 of the same Act, which provides a rigorous reporting system for sexual harassment. We regularly promote sexual harassment awareness and incorporate Workplace Sexual Harassment Prevention courses into the onboarding training. Our group companies also implement relevant measures according to the Guide on Workplace Sexual Harassment Prevention. 4. Safe working environment: We attached great importance to the safe and healthy working environment of employees, set up occupational safety and health management organizations, continuously improve the working environment and sanitary conditions, and strive to reduce the risk of occupational disasters and protect the physical and mental health of employees 	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>5. Information Security: In order to respect the privacy rights of various stakeholders and protect the collection and legal use of personal data, we have established a complete information security management mechanism to control data access and prevent data leakage.</p> <p>We expect all partners to improve their oversight on human rights issues and promote awareness of international human rights, in line with the spirit and fundamental principles of this policy.</p>	
(2) Has the Company formulated and implemented reasonable employee welfare measures, including compensation, vacations and other benefits, and appropriately reflect operating performance or results in employee compensation?	V		<p>We adopt our internal rules and policies in compliance with applicable labor laws and regulations. Our efforts in employee development and benefits are as follows:</p> <ol style="list-style-type: none"> 1. Employee Retention. We strengthen employee retention by offering career development opportunities, promoting work-life balance, and developing leadership skills. The average turnover rate in the past three years is below 10%. 2. Employee salaries are paid in accordance with the "Regulations for Employee Compensation Payment" and we will make adjustments with reference to the salary survey report to ensure that employees' salaries meet market standards. 3. Performance Management and Development. The purpose of our performance management and development system is to integrate and increase individual and the performance of the organization. The principles include the following: each employee shall be responsible for its individual performance, department heads and subordinates shall work together and constantly interact and communicate with one another, and performance and development shall be equally important. Also, according to Article 34 of article of association, if the Company make a profit, we should allocate 1% for employees' compensation. Besides, employee performance bonuses are allocated annually based on the Company's operating performance, and bonuses are issued in June each year based on the employee's individual evaluation. 4. Employee Development. The cornerstone of our employee development is continuously educating and learning. Our ongoing efforts in talent development enable us to strengthen our competitiveness. 5. New Employee Training. In order to equip new employees with a comprehensive understanding of their job duties, colleagues, objectives and future development, we provide onboarding training, mentoring program, and department orientation. 6. KSAOs (Knowledge, Skills, Abilities, and other Characteristics) Training. Provide KSAOs training to employees according to their job grades. 7. Training of Department Heads. We provide management skills training to department heads in accordance with their functions and equip them with the abilities to become future leaders. 	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>8. Diversified Development and Learning Channels. Most of the employees are able to access a wide selection of learning resources through various channels, including on-job-development training, job rotation, external training and seminars.</p> <p>9. Defined Benefit Pension Plan. The employee retirement regulations formulated pursuant to the Labor Standards Act is categorized as a defined benefit pension plan.</p> <p>10. Defined Contribution Pension Plan. The employee retirement regulations formulated pursuant to the Labor Pension Act is categorized as a defined contribution pension plan.</p>	
(3) Does the Company provide a safe and healthy working environment and offer regular training on workplace health and safety for employees?	V		<p>1. Our core competency and value lie in our people. To that end, we dedicate significant efforts in preventing occupational diseases and injuries, ensuring workplace safety and health, and promoting employee well-being by offering a safe, reliable, and enjoyable work environment to achieve the vision of sustainable development and uninterrupted service.</p> <p>2. The president of the Company chairs the Occupational Safety and Health Committee, which supports the implementation of occupational safety and health measures. Decisions regarding the planning and implementation of health and safety measures are made together by the chair and committee members. Additionally, we have a dedicated email to receive and address employee's occupational safety and health concerns.</p> <p>3. To maintain workplace safety and health, our occupational safety and health personnel and onsite occupational health workers routinely inspect the working environment in each service workshop, accompanied by physicians specialized in occupational medicine and department heads, to identify potential hazards and offer suggestions for improvements. Subsequent risk response measures are monitored as part of our effort to continue improving and optimizing processes using the PDCA approach.</p> <p>4. Machineries and equipment that are on the restricted access list are managed by assigned personnel and regularly inspected to ensure that they are functioning properly. Personal protective gears (e.g., helmets and safety shoes) are also provided to operators based on the nature of the operation to ensure their safety.</p> <p>5. We routinely conduct air quality assessment in the workplace in order to provide employees with a clean and comfortable working environment.</p> <p>6. In order to provide breastfeeding mothers with a comfortable and safe nursing environment, not only did we set up lactation rooms at the office in compliance with the laws and regulations, we also took a step further to install UV sterilizers and air purifiers in the rooms so that we can offer employees a breastfeeding friendly environment.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>7. New employees are required to receive occupational health and safety training on the topics of potential hazards in the work environment, hazards prevention in operating machineries, health and safety code of conduct, and occupational safety and health resources during their orientations. The training is aimed to equip new employees with a basic understanding of health and safety in a new work environment and help them understand the potential hazards and rules to follow. We also provide workplace health and safety refresher trainings to current employees on different topics based on the nature of their job duties to enhance their health and safety awareness in the workplace.</p> <p>8. We hold emergency drills regularly to familiarize our employees with the standard procedures in case of emergency to mitigate personal injuries and property damages.</p> <p>9. Each year, we offer health checkups to our employees. We provide a variety of packages that are tailored to the health condition, age, gender of our employees and based on other common health problems of Taiwanese people published by the authorities for employees to choose from.</p> <p>10. We also design activities and talks that are aimed to promote the overall health of our employees by analyzing their health checkup results, nature of their job duties and suggestions offered by employees.</p> <p>11. We go beyond compliance to offer onsite clinics three times a month and hire occupational health physicians to provide consultation to our employees.</p> <p>12. We test the drinking water at our facilities monthly for total bacteria count and E. coli and regularly have our water dispensers serviced to ensure that our drinking water quality meets regulatory requirements so that employees can safely hydrate at work to stay healthy.</p> <p>13. During the Covid-19 pandemic, we purchase and allocate personal protective equipment and other essential healthcare supplies. Through a reporting system, we are able to collect employees' contact history and trace their activities within the shortest timeframe possible in order to be fully informed of the level of exposures and health of our employees to facilitate subsequent health monitoring and quarantine measures.</p> <p>14. Our occupation health and safety practices are in line with international standards. All five facilities have implemented the ISO 45001 occupational health and safety systems and are certified by independent accreditation organizations. Our goal is to mitigate workplace hazards and create a safer and cleaner work environment for our employees through a systematic process and management.</p> <p>In 2021, we reported zero occupational accidents and will continue to work towards creating a safe working environment and raise employees' health and safety awareness to achieve a zero-accident workplace.</p>	

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
(4) Does the Company provide effective career development trainings for its employees?	V		Every year, we design annual education and training programs that include career development courses tailored to specific job functions, professional and career skills. Our Career Development Center also regularly performs evaluation on employee job functions.	Compliant
(5) Has the Company followed relevant regulations and international standards and established a consumer/customer protection policy and appeal procedures regarding customer health and safety, customer privacy, marketing and labeling of products and services?	V		<p>1. Consumer protection policy: Our vision of “Happiness at TOYOTA” is the reason behind why we created a customer service goal of putting customers first. To ensure that the rights of consumers are protected, we emphasize the importance of customer service and listening to the voice of customers (VOC) to our top 8 dealers.</p> <p>2. We provide a transparent and effective consumer appeals process for products and services sold:</p> <p>(1) Customer Service Team We value the opinions of our customers. In order to provide a proper channel for customer feedbacks and responses, we established a 0800 customer service line in 1990 and had our 8 dealers implemented the same since 1991 to provide multiple channels for customer service. Since January 2000, we cancelled the customer service lines of all our dealerships in Taiwan; customer inquiries and complaints are now directed to our Customer Service Center to enhance customer service quality.</p> <p>(2) Each of our dealers also has a Customer Care Department dedicated to processing VOCs and promoting activities to enhance customer satisfaction.</p> <p>(3) In order to provide faster and more convenient services, we were the first in the industry to develop a professional customer service information system, an interactive platform between Hotai and its dealers which enables us to provide real-time customer service by tracking the progress of complaints and feedback and to ensure that the rights of customers are protected.</p> <p>(4) In 2016, we became the first automaker to be ISO 10002 certified in customer satisfaction and complaints handling.</p> <p>(5) In 2017, we introduced several mechanisms to improve overall customer satisfaction through total process management, including 0800 Post-Call Customer Satisfaction Survey, VOC, and complaint receipt and resolution SMS notification to customers.</p> <p>(6) In 2018, we launched an interactive voice response system and improved the FAQ section on our website, making it more user-friendly for our customers.</p> <p>(7) In 2019, we launched an AI-powered customer service chatbot to provide instant answers to customer’s questions.</p> <p>(8) In 2020, we added a customer service line +886-2-5599-7299 while continuing to improve the customer service chatbot capabilities and quality of the responses from our FAQ database.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			<p>(9) <i>Mandatory and Prohibited Clauses in a Vehicle Purchase Agreement (The Lemon Law)</i> becomes effective on July 1, 2021. The Company and its dealers and suppliers have an after-sales service system in place which ensures that the new vehicles received by customers are of impeccable quality.</p> <p>3. Consumer appeal procedures:</p> <p>(1) The Customer Service Center receives and handles customer inquiries and complaints through the following channels: customer visits, customer service line, live chat, e-mails, letters, surveys, <i>My Toyota</i> app, and customer service chatbot.</p> <p>(2) A customer service representative shall record VOCs on the service system and notify the dealership involved. The dealership is required to contact the customer within 1.5 hours upon being notified to provide necessary assistance.</p> <p>(3) A dealership shall complete processing a case within the shortest time possible and put it on record (1.5 business days for inquiries and 5 business days for complaints). A case can only be closed once it's been reviewed and confirmed by Hotai Motor's Customer Service Center.</p> <p>(4) If the customer submits the complaint directly to a local government Consumer Protection Officer or Consumer Protection Organization, the dealership will send a customer representative to attend the dispute resolution meeting and propose a solution to reach a consensus with the other party and resolve the dispute in a timely and efficient manner.</p>	
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant standards in environmental protection, occupational safety and health, and human rights of workers? How are the policies implemented?	V		<p>We have an agreement with our main supplier, Toyota Motor Corporation, that we would comply with local, national and international laws and social regulations, fulfill our corporate social responsibility, and enhance the TOYOTA brand image. We remain committed to creating and maintaining good partnerships. As the leading brand in the automotive industry in Taiwan, we hope to work with suppliers and distributors to build sustainable service value chain. Our supply chain management system takes value creation as the starting point to enhance the sustainability of the value chain, through standardized management (see Note), information sharing, supplier evaluation, supplier audit, and supplier capacity building.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
			Note: We highly encourage suppliers to obtain international certification, such as ISO 14001 and OHSAS 18001. Additionally, supplier portal must also contain detailed information on corporate ethics and environmental protection. We require our suppliers to meet Hotai's corporate social responsibility requirements in the supplier agreement for the pursuit of fulfilling corporate social responsibility and achieving corporate governance best practices. If our supplier violates any of these policies and causes substantial impact on the environment or the society, the supplier agreement will be terminated.	
5. Has the Company referred to the international reporting standards or guidelines in preparing the reports that disclose the Company's non-financial information such as sustainability reports? Have the aforementioned reports been assured or guaranteed by a third-party verification agency?	V		We have been publishing our CSR reports since 2013, and the reports are prepared based on the core options of the Global Reporting Initiative (GRI) Standards. In order to ensure the credibility of the quality of data and materials, we have engaged British Standards Institution Taiwan to verify the reports; the financial data included in the reports is taken from the financial statements of our annual reports that are audited by PwC Taiwan.	Compliant
6. If the Company has established the sustainability development principles based on the <i>Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies</i> , please describe any deviation between the <i>Principles</i> and its practices:				
Hotai amended our <i>Corporate Social Responsibility Best Practice Principles</i> based on the amended version of <i>Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies in December 2021</i> and renamed it the <i>Sustainable Development Best Practice Principles</i> . Our sustainable development practices follow the <i>Principles</i> and there's no deviation between the two.				

III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N		Summary
7. Other important information to facilitate a better understanding of the Company’s sustainable development practices:			
Since the Company was founded, we have been engaging in social contribution activities as we understand the importance and value of giving back to the community. We have combined resources from within and outside the Group and worked with stakeholders to develop three key areas of welfare programs involving cars, people, and the environment. We actively host events that benefit the interests of the public which we hope to bring a positive influence on the society and drives human progress. The Company’s public welfare programs are as follows:			
1. Cars			
(1) Donation of Crossing Guard Equipment			
At Hotai, it has been our longtime commitment to engage the community in promoting road safety to create a safer environment for drivers and pedestrians. Over the years, we observed that the crossing guard equipment used by elementary schools around Taiwan was either inconsistent in quality, damaged, or heavily stained. As part of the efforts to improve the safety of crossing guard volunteers on duty, Hotai has been making crossing guard equipment donations to public elementary schools in Taiwan since 2011. Each year, we donate crossing guard equipment to local elementary schools by rotating through different counties and cities, including reflective safety vests and handheld flags. In 11 years, we donated nearly 110,000 sets of crossing guard equipment. In maintaining road safety for volunteers and schoolchildren, we have chosen the same materials that are used for police gears to create higher visibility for the equipment so that they can be seen from afar by drivers prompting them to stay alert and slow down. In 2021, we began the third round of donation, maintaining road safety for more crossing guard volunteers and school children.			
(2) National Road Safety Children’s Drawing Contest			
Since 2001, we have been working with Chun Ching Social Welfare Foundation to sponsor the National Road Safety Children’s Drawing Contest. The theme of the Contest is road safety related topics. It is our hope that through drawing and creating, the idea of “Road Safety” will be instilled in children’s minds. Each contestant was asked to pay NT\$2 per drawing paper, and Hotai would double the amount of those fees charged and donate to school-age children who are underprivileged or living in remote areas. We have been sponsoring the contest for 21 years now, and over 840,000 children participated. Millions of dollars have been donated and continue to benefit the causes of road safety and public interest.			
(3) Vehicle Safety Experience Camp			
As a continuation of our vehicle safety experiential event in 2020 where only executive officers of our dealers were invited, we’ve loosened participant eligibility in 2021 to include teachers from T-TEP partner schools, as well as entry-level managers at dealers’ headquarters and service centers to afford them the opportunity to experience firsthand vehicles equipped with the TSS (Toyota Safety Sense) feature. In addition to a variety of the original topics covered, including tire traction and braking performance, performance testing of brake fluid water absorbing/boiling point, pre-collision system (PCS) sensors of pedestrians and other vehicles, lane tracing assist (LTA), and all-speed adaptive cruise control (ACC) road tests, we’ve also added a workshop on how shock absorber functions. The Vehicle Safety Experience Camp receives a 99.7 score in our course evaluation survey from student participants, which effectively helps employees who are in the first line of engagement with customers understand the safety features of our vehicles and deliver an accurate message on safe driving and vehicle maintenance to car owners.			
(4) Donation of Bloodmobiles and Hotai’s One-day Blood Donation Event			
Starting in 2012, Hotai has been donating bloodmobiles—full size Hino vehicles that are equipped with the latest blood donation equipment—to numerous blood centers each year with the goal to encourage blood donation among citizens and to provide a comfortable and quality environment. To date, Hotai has donated 12 full size bloodmobiles, which served over 750,000 blood donors and collected nearly 1.5 million bags of blood (250 c.c. per bag). As the enterprise that has donated the most mobile blood buses, our bloodmobiles currently account for 17% of all the available mobile blood buses in the country.			
Since the beginning of the pandemic in 2021, blood centers around the island experienced a sharp decline in blood supply due to the fact that people reduced the time spent outside their homes, causing blood supply to hit emergency levels. In addition to donating bloodmobiles to alleviate this blood shortage crisis, Hotai Motor organized a Group-wide one-day blood donation event and mobilized all 12 bloodmobiles to set up temporary donation centers in cities and counties across Taiwan. The event was joined by our employees, dealerships, owners, and the public in answering our call to roll up their sleeves and give blood, supporting the supply of blood for medical use with action.			
(5) Free Mobility Service Campaign			
There are numerous disadvantaged children in areas of Taiwan who still have a lack of mobility access, and their needs for			

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
<p>transportation to move between remote areas, to receive medical care and education, and to have social workers reach them in emergency situations remain largely unfulfilled. Seeing the needs, Hotai Group has developed the Free Mobility Service Campaign by utilizing the shared mobility service provided through our core business to meet the mobility needs of these disadvantaged children. In 2021, we partnered with the Social Welfare Department of New Taipei City Government and Family Support Center in New Taipei City to officially launch the service. The service is estimated to help dozens of children welfare centers offering approximately 1,200 yoxi rides and servicing around 2,400 people. We plan to launch this campaign in other counties and cities in the future to help more disadvantaged children as we become the most socially responsible corporation that offers mobility services.</p> <p>In Taichung, there's an area called Lishan tucked away in the mountains with very narrow roads. The only buses available operate on the main strips which are still a long distance away from where the locals conduct their daily routines, and no taxis run in the area either, presenting a huge service gap for residents in reaching the last mile. To meet the needs of the rural population in receiving medical care, education, and making purchases of groceries and daily necessities, Hotai joined the Lishan Bus Project 2.0 launched by the Directorate General of Highway and the Taichung City Government Transportation Bureau and donated one Toyota Sienta to aid the project. The Lishan Bus Project 2.0 is aimed to provide transit bus service to the four major tribes located in Lishan Village and Pingdeng Village in the Helping District, which offers fixed schedule and flexible routes to bring residents home safely, filling that last mile gap in Taichung's mountain areas.</p> <p>2. People</p> <p>(1) Public Welfare Dreamer</p> <p>Over the years, Hotai has invested efforts in corporate social responsibility to give back and closely followed the talent development of the youth. Since our first sponsored Hotai Public Welfare Dreamer in 2019, we've been encouraging the collaboration of corporations and young adults to live out their blueprint for public interest causes and make positive contributions to the society.</p> <p>In June 2021 as Taiwan was going through its worst COVID outbreaks, we noticed a new group of people that were in need of help due to disruption of business and manufacturing activities. So instead of pausing our public interest efforts, we recruited contestants from our first and second Public Welfare Dreamer and launched the third annual Public Welfare Dreamer event against the backdrop of the pandemic. Once again, we invite the Youth Development Administration to play the advisory role and partner with non-governmental organization, City Wanderer, combining academia, government and industry resources to offer guidance to students in completing their public interest projects despite the pandemic as we continue to reach out to those that are in need.</p> <p>(2) Caring for Children with Intellectual Disabilities</p> <p>In 2015, we partnered with Children Are US Foundation to launch the sheltered workshop program. Every TOYOTA sales location in Taiwan makes a long-term commitment to purchase their baked goods. Our goal is to support these children and provide them with the opportunity to stand on their own and work. As of 2021, we have made over NT\$45 million worth of purchases from the Children Are US Foundation bakery.</p> <p>(3) TOYOTA Global Dream Car Art Contest</p> <p>Our desire to inspire children's imagination and elevate the quality of art contests led us to organize the Toyota Dream Car Art Contest. In 2021, it was our 15th year hosting this contest and we've received an accumulation of over 639,000 submissions over the years. The Toyota Dream Car Contest is by far the only children's drawing contest in Taiwan that is held on a global scale. Last year, we collaborated with Simbalion Taiwan who shares the same passion for art development in children and a favorite character for both kids and adults, Rilakkuma. In 2021, we received a record-high 106,000 submissions as children around the island showed great enthusiasm for the contest. Without a doubt, the Dream Car event is the most celebrated Global Art Contest in Taiwan.</p> <p>(4) TOYOTA Technical Education Program (T-TEP)</p> <p><u>Student Career Experience Program</u></p> <p>To help students explore their career choices and facilitate work-integrated learning, we partner with our dealers to organize company visits for students from T-TEP partner schools. The visits include an orientation to the company, live demonstrations, and Q&A session. In 2021, we organized a total of 49 visits to dealers' service centers for students from 32 schools enrolled in T-TEP. (Course satisfaction score: 94%; number of students visited: 1,841; number of T-TEP Facebook reach: 49,529).</p>				

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
<u>Donate High-tech Educational Materials from TMC</u> As part of our efforts to develop students’ vocational skills, Hotai Motor introduced the TOYOTA Technical Education Program, T-TEP, in 1991 with the aim to help technical and vocational schools to develop talent specializing in automotive repair and maintenance. We have partnered with 32 technical and vocational schools to date and donated various Toyota high-tech teaching aids and materials for teachers and students to practice on. The cumulative value of teaching materials and vehicles donated for practice is now over NT\$ 55.36 million, a reflection of our commitment to develop skilled technicians for the automotive industry.				
<u>Technical Exchange and Sharing Between Industry and Academia</u> Twice a year, we work with dealers to organize training and development conferences on various topics and share the latest automotive technologies and practices in the industry with members of academia. We invite teachers from 32 schools that are enrolled in T-TEP to the events to increase the exchange of information and experience between industry and academia. Our dealers also provide venues, equipment and have seasoned technicians share their experience in the field as well as the latest vehicle technology and information to help teachers and students learn about industry practices and trends. It is also a great opportunity for students to gain insight into the job market and employment environment early on and work on improving their competencies, which leads to making suitable career choices and helps them transition seamlessly from school to the workplace, supporting career readiness.				
(5) Sheet Metal Painting Winter Camp The camp offers a total immersion experience in sheet metal painting and allows students from T-TEP partner schools to boldly try new things and discover their potential, which help students who are a vehicle mechanics major improve their practical knowledge and understanding of sheet metal painting. In Taiwan, there are only a handful of schools that offer sheet metal painting programs, and dealers in the industry are facing issues such as difficulty recruiting first-line sheet metal workers and growing skill gaps. Both of which prompting us to design the Sheet Metal Painting Winter Camp based on the model of the “Sheet Metal Painting Experience Camp” that boasts a highly rewarding hands-on experience. In 2022, we organized 6 rounds of camps and 71 students from T-TEP partner schools participated. (Satisfaction score: 98.5%; 45 posts of behind-the-scenes photos of the event were shared; number of T-TEP and Happiness at Toyota Facebook Group reach: 23,000)				
(6) Campus Recruiting Program As our services evolve, the company’s need for talent grows. To plan for future personnel needs, Hotai partners with eight dealers to launch the Campus Recruiting Program for the first time, matching soon-to-be graduates from high schools, vocational schools, universities and technical colleges with our service centers across Taiwan so that they have the opportunity to spend one semester to experience career life. For out-of-city students, they have the option to choose a dealership that is closer to home for their internship. As long as the students complete their internship and pass the technical assessment prior to graduation, an after-sales service support certification will be issued to them by TMC. Students can subsequently apply for jobs at any TOYOTA service center in Taiwan by presenting this certificate. Through systematic training and assessment, it allows students to gain experience and technical skills while completing their academic studies and helps cultivate a positive work attitude. Starting career planning early can help students equip themselves with relevant skills and transition seamlessly into the workplace.				
(7) Short Film Contest—LEXUS My Film Lexus has long been dedicated to promoting the cultural industries to discover and cultivate more young film talents and encouraging young creative artists to pursue their dreams. In 2021, we hosted the second annual LEXUS My Film, a short film contest. The event kicked off on April 14 and continued the theme, “My Own Rendition of Amazing”, which encourages the younger generation to boldly create and express themselves. Contestants are given the opportunity to showcase their creativity in a 2-minute clip to convey their own rendition of “Amazing” to the world. The contest received a total of 1,777 submissions.				
(8) LEXUS Design Award LEXUS Design Awards was first launched in 2013. It is a global design competition aimed at cultivating a new generation of creative designers and has become the best stage for creative designers to express their creativity. In 2021, we received over 1,700 project submissions. Cutting-edge designers from 57 countries participated to compete for the perfect opportunity to shine on the world stage. LEXUS also organized master workshops and Taiwan preliminaries and invited renown experts in the field to provide consultation and assisted the contestants to improve the quality of their works, putting Taiwan on the map with our outstanding and innovative designs.				
(9) LEXUS Micro Film. Letting Go 《釋放》				

III. Corporate Governance

Evaluation Item	Implementation Status		Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N		Summary

Directed by Jack Hsu and starred by actor Johnny Lu, Lexus launched its annual micro film *Letting Go* 《釋放》 in a 3-minute memorable conversation with fresh materials. In the film, the bartender guides the perfectionist male lead into an inner conversation with himself through a back-and-forth of questions and answers. After acknowledging his true feelings, he was finally able to enjoy every moment in life to the fullest. Through the delicate build-up in the film, Lexus wants to encourage viewers to begin a conversation with themselves and “experience amazing” together with Lexus.

(10) Sponsoring Sports/Art and Cultural Events
 In order to promote the development of sports, music, arts and entertainment industries in Taiwan and bring a richer life experience to car owners, Hotai’s brands TOYOTA and LEXUS actively sponsor and co-organize art and cultural events every year. TOYOTA supports the development of the sports industry and partner with professional basketball team New Taipei CTBC DEA in the T1 league promoting the games of basketball; we also support music events by working with popular music program, Jungle Voice 3 to encourage the young generation to boldly pursue their dreams. In 2021, TOYOTA continued to work with “Garena Legend Dual” and sponsor the 2021 GCS Spring/Summer Professional League, encouraging the young generation to find their own platform. For Lexus, it was the third consecutive year where they partner with the Taipei City Government and VOUGE in sponsoring fashion events “2021 Taipei Fashion Week x VOUGE Fashion’s Night Out” As a brand that strives for craftsmanship, Lexus also sponsored “Monster Party” in 2021 to promote outstanding makers in various fields. We aspire to be a brand that could be fully integrated into the lives of car owners and continue to bring the ultimate “Experience Amazing” to the public.

3. Environment
(1) TOYOTA - Environment Month
 Every year in June, Hotai Motor partner with dealers in joining in on TOYOTA’s Global Environmental Month to promote community green redevelopment projects. We also give back through local sourcing to increase engagement with the local communities and raise environmental awareness to create a greener environment.

Since the Environment Month initiative launched in 2005, participation continues to grow, including our top eight dealers from around Taiwan who joined in on the cause in 2009. Since 2013, we have come together to promote the community green redevelopment projects. Through the Toyota Environment Month initiative, we hope to inspire local communities to support the government’s policy of revitalizing abandoned urban space and improve quality of life. In 2018, we began working with non-government organizations and government agencies. For a period of three years, we are committed to making use of local resources to build a low-carbon, plastic free, and fun living. Due to the pandemic, our Environment Month campaign last year was organized on a smaller scale to include only a handful of activities like cleaning up the environment and tree planting. We also partnered with Loo Koo Association and organized 35 sessions of environmental education for local elementary schools. As of 2021, we’ve hosted 105 rounds of Toyota Environment Month activities and 117 sessions of environmental education with the help of 36,000 volunteers, sprawling over 241,000 square meters, the equivalent of 574 standard basketball courts, and over 22,000 plants were planted.

(2) TOYOTA – Toy Sharing
 In 2016, we launched the TOYOTA Toy Sharing program. Our aspiration is to promote environmental sustainability through the recycling and regeneration of used toys. Towards the end of 2017, TOYOTA donated an INNOVA compact MPV to the Taiwan Toy Library Association as campaign vehicle, which drives around the city to deliver pre-loved toys to children in need. As of the end of 2021, an accumulated total of 273 metric tons of toys were recycled through the program, the equivalent of the carbon absorption of 70,318 trees in one year. Over 180,000 people have participated in our events since the program launched, including toy recycling, “Toy Easter”, “Little Technician” (career exploration activity), “Love in a Backpack”, and the “Toy Drive”. A total of NT\$920,000 registration fees collected from our events through 2018 to 2021 has been entirely donated to Eden Social Welfare Foundation, which continues to inspire positive changes to the society.

(Data collected by the Recycling Management Foundation of the Environmental Protection Administration shows that each kilogram of waste reduced is equivalent to the reduction of 2.06 kg carbon emissions. According to the Council of Agriculture, each tree can absorb 5 to 10 kg of CO2 in one year; our figures are calculated using the median value, 8.5 kg.)

(3) TOYOTA - One Tree for Every Toyota
 Hotai is committed to safeguarding the coastline of Taiwan by planting trees and making good on the promise to protect our island. Through working with specialists, the survival rate of these trees along the coastline is as high as 90%. As of the end of 2021, we have planted over 540,000 trees spanning over 180 acres and 13 cities and counties along the coast, reducing approximately 13,000 metric tons of carbon emissions. In 2021, we launched the campaign in Kinmen for the first time and donated 14,000 water-storing seedling pots to aid the Kinmen County Forest Affairs in its efforts of coastal

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviation
	Y	N	Summary	
afforestation.				
<p>We continually convey this message through different channels with the aim to expand our influence and gain public support. In 2021, we published an innovative ASMR video using sensory stimulation to raise public awareness of the importance and process of coastal afforestation. We also produced a short film, <i>500,000 Trees</i>, depicting the challenges encountered and accomplishments achieved in the last four years through the One Tree for Every Toyota campaign, increasing public awareness of the coastal erosion crisis. To reach the younger demographics, we utilize social media to regularly run campaigns for our One-Tree-for-Every-Toyota eco-supporters and promote knowledge about tree planting along coastal shorelines through publishing posts to amplify the conversation. In 2021, we hosted the “One Tree for Every Toyota” Campus Creativity Contest for the first time and invited university students to submit proposals and videos using their creativity to promote the One Tree for Every Toyota vision. Since 2019, we’ve been organizing tree planting events every year that allow car owners and the public to volunteer to plant trees. Each volunteer can experience the joy of personally planting a tree and become one of the driving forces behind the movement to protect the coasts of Taiwan.</p> <p>(4) Wildlife Conservation Program</p> <p>Hotai Group and Hotai Motor have a strong presence in Taiwan’s market for over seven decades and we have long been an advocate for environmental sustainability causes. To protect the beautiful and rare animal species that are native to Taiwan, we started the Taiwan Wildlife Conservation Program in 2021 and partnered with the only government organization in Taiwan that specializes in research, conservation, and promotion of native animals and plants, Endemic Species Research Institute, Council of Agriculture of the Executive Yuan. In addition to donating a TOYOTA RAV4 4WD to aid the rescue of native animals, we also fund the training expenses for the release of rescued leopard cats into the wild and participate in the rescue efforts of rare animal species to protect the only feline animal that is native to Taiwan, leopard cat.</p> <p>(5) Hotai/TOYOTA Group Beach Cleanups</p> <p>Since 2019, we enlist the help from our affiliates, local dealers, and sales locations around Taiwan to organize beach cleanups in Taiwan. We have also invited local government agencies and non-government organizations and people around the island to join in. Over the years, we’ve hosted a total of 33 beach cleanups around the island and nearly 20,000 people participated. Last year, despite the event being cancelled due to the pandemic, we donated NT\$500,000 to Loo Koo Association to fund 35 rounds of environmental education, allowing environmental awareness and the importance to reduce the use of plastics to take root from a young age and create a better environment for this island.</p>				

III. Corporate Governance

3.3.7 Performance of Ethical Corporate Management and Deviation from the *Ethical Corporate Management Principles for TWSE/GTSM Listed Companies* and Reasons for Deviation

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
1. Establish ethical corporate management policies and programs				
(1) Has the Company stipulated its ethical corporate management policies and procedures approved by the board of directors in its guidelines and external documents, as well as the commitment from its Board of directors and senior management to actively implement the policies?	V		Our <i>Anti-Corruption Ethnical Management Principles</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> were respectively adopted and approved by the Board of Directors in March 2014 and January 2018, which stipulate the prohibition of corruption, types of benefits, ethical business practices, prohibition of illegal political contributions and unlawful donation or sponsorship, implementation of effective accounting and internal control systems, regular trainings and campaigns, and establishment of reporting and disciplinary mechanisms. These policies can be found on our corporate website.	Compliant
(2) Has the Company established an evaluation mechanism for the risk of unethical conduct, regularly analyze and evaluate the business activities with high risk of unethical conduct within its business scope, and formulate a plan to prevent unethical conduct, which shall at least cover the preventive measures for the behaviors in Article 7, paragraph 2 of the " <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> ?"	V		Our <i>Employee Code of Conduct</i> , compliance guidelines and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> stipulate that employees shall perform duties with integrity and comply with the law and social moral principles. The employees shall not engage in any unethical business practices such as infringement of intellectual property and unfair competition. We also promote business ethics during orientation for new employees and require them to sign an <i>Employee Statement of Compliance</i> . In 2020, the Company also offered a one-hour anti-corruption training to new employees, which was attended by 24 employees.	
(3) Has the Company established policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeals, and the commitment to implement the policies?	V		We have adopted <i>Workplace Rules</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> which prohibit employees from using their positions for personal gains, or accepting hospitality, gifts, kickbacks, or misappropriating public funds, or other unlawful interests, thereby preventing the impact of unethical behaviors on business relationships or transactions.	

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
2. Ethical corporate management practices				
(1) Does the Company evaluate business partners' ethical records and specify ethics-related clauses in business contracts?	V		Our business contracts contain clauses stipulating ethical conducts to ensure compliance of our business partners.	Compliant
(2) Has the Company established a business unit exclusively or concurrently dedicated to business ethics and integrity, and regularly (at least once a year) report to the board of directors on its integrity management policy, prevention of unethical behavior program and supervision of implementations?	V		<p>To implement ethical business practice, the Legal Division is assigned as a dedicated unit to oversee the following, and the Auditing Division shall report to the Board once a year on the implementation status:</p> <ol style="list-style-type: none"> (1) Incorporate business ethics and moral values into the Company's operational strategies and adopt relevant preventive measures according to applicable laws and regulations; (2) Prepare plans to prevent unethical behaviors and adopt standard operating procedures and code of conduct related to job functions under each plan; (3) Design the internal organization, system and management, having a mutual accountability mechanism for business activities that are more susceptible to unethical behaviors; (4) Promote and coordinate ethical policy education and training; (5) Adopt whistleblowing system to ensure effectiveness; and (6) Support the Board and management in reviewing and evaluating whether the preventive measures established for implementing ethical business management is effective, conduct an evaluation on the compliance of relevant operating procedures and prepare a report accordingly. <p>Our External Affairs and Legal Division is responsible for promoting compliance of business ethics to prevent violation of ethical corporate management and unlawful conduct by the employees.</p> <p>(1) In 2021, we provided anti-corruption training for new employees, which was attended by 24 employees. (2) In 2021, we held the Annual Compliance Guideline Online Test, and 560 employees participated in the test.</p> <p>In 2018, we adopted the <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i>.</p> <p>Our Auditing Division under the Board of Directors will regularly and from time to time inspect our accounting and internal control systems. Any violation discovered will be recorded in the audit report and submitted to the Board of Directors.</p>	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
(3) Has the Company established policies to prevent conflicts of interest, provided and implemented appropriate communication channels?	V		<i>The Rules and Procedures of Board Meetings</i> set forth director recusals in case of conflicts of interest, and the <i>Employee Code of Conduct</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> stipulate that employees and directors shall not use their position to achieve personal gains or benefit others, or become involved in a conflict of interest with the Company. We also have a grievance system in place. <i>The Code of Conduct and Ethics for Representatives of Affiliates</i> also provides rules preventing conflicts of interest.	Compliant
(4) Has the Company established effective accounting and internal control systems to facilitate ethical corporate management according to the risk assessment results of unethical behavior, formulate relevant audit plan, and check the compliance of the plan to prevent unethical behavior, or engage certified public accountants to carry out the audit?	V		1. Unless otherwise specified in the laws or regulations, our accounting practices are conducted according to our accounting system. We ensure that all operating activities are preceded in compliance with strict operation standards by implementing relevant accounting system operating procedures so as to achieve checks and balances between each operation and prevent corruptions. 2. Our internal control system takes into account the operating activities. The internal auditors conduct auditing in accordance with the audit plan and may request each department to produce relevant documents, accounts, and certificates. The auditor may create a project for a specific audit if necessary, and prepare an audit report and submit to the Board of Directors along with relevant documents in order to ensure that the day-to-day operation is consistent with our ethical management principles.	Compliant
(5) Does the Company regularly hold internal and external educational trainings on ethical business management?	V		We regularly provide trainings to our employees and promote awareness to help them better understand our commitment and policy on ethical corporate management. (1) In 2021, we provided anti-corruption training for new employees, which was attended by 24 employees. (2) In 2021, we held the Annual Compliance Guideline Online Test, and 560 employees participated in the test.	Compliant
3. Operation of the integrity channel				
(1) Has the Company established a reward/punishment system and an integrity hotline? Can the employee with alleged violations be reached by an appropriate contact person for follow-up?	V		1. We are able to effectively prevent unethical conduct and facilitate a sustainable business by following the <i>Anti-Corruption Ethical Management Principles</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> and improving internal regulations and risk management mechanisms. 2. According to the <i>Anti-Corruption Ethical Management Principles</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> , an employee or contractor shall report concerns to the Auditing Division via mail or e-mail stating his or her real name and address to the Chief of Auditing Division in case of discovery of any unlawful conduct.	Compliant

III. Corporate Governance

Evaluation Item	Implementation Status			Deviation from the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and Reasons for Deviation
	Y	N	Summary	
(2) Has the Company established standard operating procedures and confidentiality measures for the investigation of reported incidents and follow-up measure to be taken after investigation?	V		We have adopted standard procedures such as <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines, Procedures for Reporting Bribery and Corruption</i> and <i>Grievance System</i> for the processing of reported cases investigations.	Compliant
(3) Does the Company provide proper whistleblower protection?	V		Our <i>Anti-Corruption Ethical Management Principles</i> and <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> provide that the Auditing Division shall maintain the anonymity of the whistleblower to prevent reprisals.	Compliant
4. Enhancing information disclosure Has the Company disclosed its stipulated ethical corporate management policies and results of implementation on the Company's website and the Market Observation Post System?	V		We have disclosed our ethical corporate management practices and implementation on our corporate website (www.hotaimotor.com.tw) and in the annual report.	Compliant
<p>5. If the Company has established the ethical corporate management policies based on the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>, please describe any discrepancy between the policies and its practices:</p> <p>The Board of Director approved the <i>Anti-Corruption Ethical Management Principles</i> on March 25, 2014, a guideline for implementing ethical corporate management. In June 2016, the Company amended the <i>Anti-Corruption Ethical Management Principles</i> based on the amendments of the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i> and the Company's Articles of Incorporation to properly reflect the Company's current status and comply with corporate governance practices. There is no significant difference between our <i>Anti-Corruption Ethical Management Principle</i> and the <i>Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies</i>. In January 2018, we completed our anti-corruption reporting procedure and adopted the <i>Anti-Corruption Ethical Management Operating Procedures and Guidelines</i> as compliance guidelines for our employees.</p>				
<p>6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., if the Company has reviewed its policies):</p> <p>We have always upheld the highest standards of governance by actively promoting operating transparency and requesting business partners (including dealers and suppliers) to make available policies in respect of business ethics on the home page of their websites in order to maintain our business reputation. Through our long-term business relationships, we have a consensus to work together to achieve corporate sustainability in the value chain.</p>				

3.3.8 Corporate Governance Guidance and Regulations

- (1) Corporate governance regulations: according to the regulations promulgated by the FSC and TWSE, the Company adopted the following regulations:
- Articles of Incorporation
 - Procedures for Acquisition and Disposition of Assets
 - Procedures for Engaging in Derivative Products Transaction
 - Anti-Corruption Ethical Management Principles
 - Operating Procedures for Fund Lending
 - Procedures for Providing Endorsement and Guarantee of Obligations

III. Corporate Governance

- (g) Rules and Procedures of Board Meetings
- (h) Rules and Procedures of Shareholders' Meetings
- (i) Corporate Social Responsibility Principles
- (j) Corporate Governance Best Practice Principles
- (k) Procedures for Processing Material Nonpublic Information
- (l) Procedures for Suspending and Resuming Transactions
- (m) Audit Committee Charter
- (n) Remuneration Committee Charter
- (2) Websites
 - (a) Our corporate website (<http://www.hotaimotor.com.tw/>): "Articles of Incorporation and other Corporate Governance Regulations" under "Investor Relations"
 - (b) The Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>)

3.3.9 Other important information that would facilitate a better understanding of the Company's corporate governance practices: None.

III. Corporate Governance

3.3.10 Status of Internal Control

(1) Internal Control Statement

Hotai Motor Co., Ltd.
Statement of Internal Control

Based on an evaluation of our internal control system as of December 31, 2021, we hereby state that:

1. The board and management of Hotai Motor Co., Ltd. (the “Company”) are responsible for establishing, implementing, and maintaining adequate internal control over financial reporting. The Company has established an effective internal control system which aims to provide reasonable assurance regarding operational results and effectiveness (e.g., profitability, performance, safeguarding of assets), reliability, timeliness and transparency of its financial reporting, and compliance with applicable laws and regulations.
2. Due to its inherent limitations, internal control over financial reporting can only provide reasonable assurance on the achievement of the three objectives above. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in environment or conditions. However, the internal control system of the Company has a self-monitoring mechanism which allows the Company to take corrective actions as soon as any inadequacy is identified.
3. The Company has assessed the design and operating effectiveness of the internal control system based on the criteria established in the Framework for the Establishment of Internal Control System by Public Companies (the “Framework”). The Framework defines internal control as a process effected by management, consisting of five components: a) Control environment, b) Risk assessment, c) Control activities, d) Information and communication, and e) Monitoring, each comprising of several elements. For more information, please refer to the Framework.
4. We have reviewed the design and operating effectiveness of the Company’s internal control system based on the criteria established in the Framework.
5. Based on the evaluation, we conclude that the Company maintained an effective design and operation of its internal control system (including oversight and management of subsidiaries) as of December 31, 2021, providing reasonable assurance regarding the achievement of the following objectives: effectiveness and efficiency of operations, reliability, timeliness and transparency of financial reporting, and compliance with applicable laws and regulations.
6. This statement shall be included as part of the Annual Report and future prospectus of the Company and disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
7. This statement was unanimously approved by the board of directors on March 24, 2022, with 14 directors present at the meeting.

Hotai Motor Co., Ltd.

March 24, 2022

- (2) A separate audit report shall be included where an independent registered public accounting firm has reviewed the Company’s internal control system: Not applicable.

III. Corporate Governance

3.3.11 Sanctions imposed on the Company or its personnel pursuant to the law, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the latest fiscal year and as of the date of this Annual Report. If the result of the disciplinary action may have a material impact on shareholders' rights or the price of securities, details of the sanctions and/or violations and subsequent improvements shall be listed: None.

3.3.12 Major Resolutions of the Shareholders' Meeting and Board Meetings

(1) Major Resolutions of the 2021 Annual General Meeting of the Shareholders

Date	Ratification and Discussion	Implementation Status
June 23, 2021	Ratification of the FY2020 Business Report and Financial Statements of the Company	-
	Ratification of the proposed FY2020 profit distribution plan	Cash dividends declared and paid at NT\$17 per share. Ex-dividend date: July 17, 2021 Payment date: July 28, 2021
	Amendments to the <i>Rules and Procedures of Shareholders Meeting</i>	The meetings are conducted pursuant to the amended rules and procedures.
	Proposal to release directors from participation in a competing business	-

(2) Major Resolutions of the Meetings of the Board of Directors in 2021 and as of the Date of this Annual Report

Date	Session and Term	Discussion and Approval
June 23, 2021	18 th Meeting of the 20 th Board	1. Organizational and personnel changes of the Company 2. Amendments to the <i>Articles of Incorporation</i> 3. Employee job grade promotion 4. Appointment of executive advisor 5. Appointment of outside advisor 6. Appointment of corporate governance officer 7. Appointment of chief audit officer 8. Retirement gratuities for Board members 9. Date change of the 2021 Annual General Meeting of Shareholders 10. Review of revised budget of FY2021
August 12, 2021	19 th Meeting of the 20 th Board	1. Executive officers and employee merit increase of FY2021
September 28, 2021	20 th Meeting of the 20 th Board	None
November 11, 2021	21 st Meeting of the 20 th Board	1. Design of remuneration structure for executive officers 2. Amendments to the <i>Rules and Procedures of Board Meetings</i> 3. Assessment of the independence of the Company's external auditors 4. Review of audit fees for the engagement of PricewaterhouseCoopers Taiwan to provide services in FY2022
December 23, 2021	22 nd Meeting of the 20 th Board	1. FY2022 Annual Audit Plan 2. FY2022 budget review 3. Renewal of Distributor Agreement for Toyota and Lexus 4. Investment in He Jun Energy Co., Ltd. 5. Amendments to the <i>Corporate Social Responsibility Committee Charter</i> 6. Organizational and personnel changes of the Company

III. Corporate Governance

Date	Session and Term	Discussion and Approval
		7. Amendments to the <i>Articles of Incorporation</i> 8. Appointment of executive vice president 9. Appointment of executive advisor
January 20, 2022	23 rd Meeting of the 20 th Board	1. Amendments to the Internal Control Systems 2. Proposal to sell the shares held in Ho Tai Cyber Connection Co., Ltd. 3. Proposal to change the auditors who perform the audits on the FY2022 financial statements 4. Bank credit line of the Company in FY2022 5. Proposal to invest in listed companies 6. Amendments to <i>The Standard Operating Procedures for Processing Director Requests</i> 7. Amendments to the <i>Regulations Governing the Safekeeping of Company Seals</i> 8. Appointment of executive advisor 9. Appointment of executive officers
March 24, 2022	24 th Meeting of the 20 th Board	1. FY 2021 Statement of Internal Control 2. FY2021 Business Report and Financial Statements of the Company 3. FY2021 profit distribution plan 4. Adoption of the <i>Regulations Governing the Preparation and Filing of Sustainability Report</i> 5. Amendments to the <i>Corporate Social Responsibility Best Practice Principles</i> 6. Amendments to the <i>Articles of Incorporation</i> 7. Amendments to the <i>Procedures for the Acquisition and Disposition of Assets</i> 8. FY2021 director remuneration approved by the Remuneration Committee 9. FY2021 employee remuneration approved by the Remuneration Committee 10. Election of the Board of Directors 11. Proposed nominations of director candidates 12. 2022 Annual General Meeting of Shareholders
May 11, 2022	25 th Meeting of the 20 th Board	1. Executive officer performance-based bonus and employee remuneration 2. Proposed list of director nominees 3. Proposal to release directors from participating in a competing business 4. FY2022 Q1 consolidated financial statements 5. Proposed contribution to the capital increase by cash of eTreego Co., Ltd.

3.3.13 Major issues on record or written statements made by any director dissenting to important resolutions passed by the Board of Directors during the latest fiscal year and as of the date of this Annual Report: none.

3.3.14 Summary of resignation and removal of the Company's chairman, president, chief accounting officer, financial officer, internal audit officer, corporate governance officer, or chief R&D officer within the latest fiscal year and as of the date of this Annual Report: none.

III. Corporate Governance

3.4 Audit Fees

3.4.1 Audit Fees

Accounting Firm	Auditor Names	Audit Period	Audit Fees	Non-audit Fees	Total	Remarks
PricewaterhouseCoopers Taiwan	Wu, Yu-Lung; Wang, Fang-Yu	January 1, 2021 to December 31, 2021	9,540	5,444	14,984	Non-audit fees shall refer to tax audit, transfer pricing reporting, country-by-country reporting, and project consultation.

Note:

1. If there has been a change of accounting firm or auditors in 2021, information regarding the audit period, reason for the change, as well as audit fees and non-audit fees paid shall be provided.
2. Details of non-audit services shall be provided (e.g., tax audit, assurance, or other financial consultation service).

3.4.2 Disclosure of the amount, percentage, and reasons for the decrease of audit fees where a change of auditors has occurred and the audit fees are lower than the previous fiscal year: not applicable.

3.4.3 Disclosure of the amount, percentage and reasons for an audit fee decrease where the audit fees are at least 10% lower than the previous fiscal year: not applicable.

III. Corporate Governance

3.5 Disclosure of Change of Auditors

3.5.1 Predecessor Auditor

Date of change	January 20, 2022
Reasons for the change of auditors	Due to rotation of assignments within the firm, Wu Yu-Lung and Wang, Fang-Yu has been replaced by Wang, Fang-Yu and Hsu, Sheng-Chung
Has the auditor resigned, declined to stand for reappointment, or been notified that their services have been terminated?	N/A
If the auditor has issued an audit report expressing an opinion other than unqualified opinion within the last two years, please state the opinion and reason	N/A
Disagreement with the Company as to accounting treatment, accounting principles, auditing procedures, or other similarly significant matters	N/A
Other disclosures pursuant to Article 10, Paragraph 5, Subparagraph 1, Item 4 of the Regulations Governing Information to be Published in the Annual Reports of Public Companies (the "Regulations")	N/A

3.5.2 Successor Auditor

Accounting firm	PricewaterhouseCoopers Taiwan
Name of CPA	Wang, Fang-Yu and Hsu, Sheng-Chung
Date of appointment	January 20, 2022
Inquiry of and information obtained from the predecessor auditor regarding the accounting treatment of, or accounting principles applied to a transaction, or opinion expressed on the financial statements audited prior to the acceptance of engagement	N/A
Written opinion of successor auditor on disagreements with predecessor auditor	N/A

3.5.3 Written communication from the predecessor auditor in response to disclosure under Article 10, Paragraph 5, Subparagraph 1 and Article 10, Paragraph 5, Subparagraph 2, Item 3 of the *Regulations*: not applicable.

3.6 Disclosure of the Company's chairman, president, chief financial officer, or chief accounting officer who has held a position at the Company's independent certified public accounting firm or its affiliates within the last fiscal year: none.

III. Corporate Governance

3.7 Changes in Shareholding of Directors, Executive Officers, and Major Shareholders

Title	Company Name/Name	2021		Year to April 30, 2022	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Director (Corporate Shareholder)	Chun Yung Investment Co., Ltd.	0	0	0	0
Director (Corporate Shareholder)	Li Gang Enterprise Co., Ltd.	0	0	0	0
Supervisor/Director (Corporate Shareholder)	Yong Hui Development Co., Ltd.	0	0	0	0
Director (Corporate Shareholder)	Yuan Tuo Investment Co., Ltd.	42,000	0	23,000	0
Director (Corporate Shareholder)	Gui Long Investment Co., Ltd.	0	0	0	0
Director (Corporate Shareholder)	Toyota Motor Corporation	0	0	0	0
Director	Huang, Nan-Kuang	0	0	0	0
Director	Lin, Li-Hua	0	0	0	0
Director	Huang, Chih-Cheng	0	0	0	0
Director	Huang Wen-Jui	0	0	0	0
Director	Su, Jean	0	0	0	0
Director	Su, Yi-Chung	0	0	0	0
Director/President	Su, Chwen-Shing	0	0	0	0
Director/Chief Officer	Leon Soo	0	0	0	0
Director	Ko, Junn-Yuan	(21,000)	0	9,000	0
Director	Chang, Shih-Yieng	0	0	0	0
Director/ Executive Vice President	Kazuo Naganuma	0	0	0	0
independent Director	Shih, Hsien-Fu	0	0	0	0
independent Director	Su, Chin-Huo	0	0	0	0
independent Director	Wu, Shih-Hao	0	0	0	0
Executive Vice President	Liu, Yuan-Sen	0	0	0	0
Vice President	Chen, Chien-Chou	0	0	0	0
Vice President	Lai, Hung-Ta (Note 1)	0	0	0	0
Vice President	Huang, Ming-Hsien	0	0	0	0
Vice President	Fred Hsieh	0	0	0	0
Vice President	Wu, Chia-Yen	0	0	0	0
Chief Officer	Liu, Chuan-Hung	0	0	0	0
Chief Officer	Liu, Sung-Shan	0	0	0	0
Chief Officer	Wu, Pin-Tsung	0	0	0	0
Chief Officer	Chen, Chun-Shan (Note 1)	0	0	0	0
Chief Officer	Yeh, Chia-Han	0	0	0	0

III. Corporate Governance

Title	Company Name/Name	2021		Year to April 30, 2022	
		Number of Shares Held +(-)	Shares Pledged +(-)	Number of Shares Held +(-)	Shares Pledged +(-)
Chief Officer	Wang, Shih-Hao	0	0	0	0
Chief Officer	Lai, Kuang-Hsiung	0	0	0	0
Chief Officer	Lai, Chih-Wei	0	0	0	0
Chief Officer	Lu, Li-Yin	0	0	0	0
Chief Officer	Kei Mizuguchi (Note 1)	0	0	0	0
Chief Officer	Weng, Ming-Lun (Note 1)	0	0	0	0
Chief Officer	Han, Chih-Kang (Note 1)	0	0	0	0
Chief Officer	Huang, I-Jun (Note 1)	0	0	0	0
Corporate Governance Officer	Tai, Heng-Hu (Note 1)	4,282	0	0	0
Financial Officer	Yu, Chun-Chien	0	0	0	0
Accounting Officer	Chen, Ting-Ju	0	0	0	0

The directors, supervisors, executive officers, and major shareholders holding more than 10% of the shares of the Company have not transferred or pledged their shares to any related parties.

Note 1:

Chief Officer Kei Mizuguchi took office on April 6, 2021; Chief Officers Weng, Ming-Lun and Han, Chih-Kang took office on July 1, 2021; Corporate Governance Officer Tai, Heng-Hu took office on June 23, 2021; Chief Officer Huang, I-Jan took office on February 1, 2022.

Chief Officers Chen, Chun-Shan and Lai, Hung-Ta retired from office on January 10, 2022 and March 5, 2022 respectively.

III. Corporate Governance

3.8 Relationship Among Top 10 Shareholders

As of April 23, 2022

Name	Share Ownership		Share Ownership of Spouses and Children that are Minors		Shares Held under Nominee Accounts		Related Party or Spousal or Familial Relationship within the Second Degree of Kinship among Top 10 Shareholders		Remarks
	Number	%	Number	%	Number	%	Company Name/Name	Relationship	
Hoyu Investment Co., Ltd., represented by Lin, Li-Hua	48,267,625	8.837%	0	0	0	0	—	N/A	
Toyota Motor Corporation, represented by Akio Toyoda	44,406,112	8.130%	0	0	0	0	—	N/A	
Li Gang Enterprise Co., Ltd., represented by Lin, Chih-Han	40,569,353	7.427%	0	0	0	0	—	N/A	
Jin Yuan Shan Investment Co., Ltd., represented by Su, Jean	36,071,520	6.604%	0	0	0	0	Cheng Sun Trading Co., Ltd.	Related parties	Half of the directors serve concurrently on both boards
Cheng Sun Trading Co., Ltd., represented by Su, Jean	24,572,088	4.498%	0	0	0	0	Jin Yuan Shan Investment Co., Ltd.	Related parties	Half of the directors serve concurrently on both boards
Shen Rong Investment Co., Ltd., represented by Chang, Chih-Fu	17,007,066	3.113 %	0	0	0	0	—	N/A	
Yuan Tuo Investment Co., Ltd., represented by Ko, Junn-Yuan	14,596,894	2.672 %	0	0	0	0	—	N/A	
Jin Ju Investment Enterprise Co., Ltd., represented by Leon Soo	13,647,776	2.498 %	0	0	0	0	—	N/A	
Zhi Geng Development Co, Ltd., represented by Huang, Chih-Cheng	13,279,682	2.431 %	0	0	0	0	—	N/A	
Tai Chang Investment Co., Ltd., represented by Huang, Tao-Tien	12,495,459	2.287%	0	0	0	0	—	N/A	

III. Corporate Governance

3.9 Share Ownership in Affiliates

As of April 23, 2022
Units: NT\$/US\$/Shares/%

Affiliates	Share Ownership by the Company		Share Ownership by Directors, Supervisors, Managing Officers, or Entities Directly or Indirectly Controlled by the Company		Total Share Ownership	
	Number of Shares/Amount	%	Number of Shares/Amount	%	Number of Shares/Amount	%
Hozan Investment Co., Ltd.	NT\$14,949,317,810	100.00%	0	0	NT\$14,949,317,810	100.00%
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	US\$108,897,360	100.00%	0	0	US\$108,897,360	100.00%
Chang Yuan Motor Co., Ltd.	313,500,000	100.00%	0	0	313,500,000	100.00%
Kuozui Motors, Ltd.	103,800,000	30.00%	224,900,000	65.00%	328,700,000	95.00%
Toyota Material Handling Taiwan Ltd.	70,597,690	100.00%	0	0	70,597,690	100.00%
Taipei Toyota Motor Co., Ltd.	25,438,987	34.81%	2,000	0.003%	25,440,987	34.81%
Ho Tai Development Co., Ltd.	24,710,856	45.01%	0	0	24,710,856	45.01%
Kao Du Automobile Co., Ltd.	22,161,150	20.00%	0	0	22,161,150	20.00%
Eastern Motor Co., Ltd.	39,268,179	100.00%	0	0	39,268,179	100.00%
Kuotu Motor Co., Ltd.	17,553,761	20.05%	0	0	17,553,761	20.05%
Tau Miao Motor Co., Ltd.	15,153,573	20.00%	0	0	15,153,573	20.00%
Central Motor Co., Ltd.	15,000,000	20.00%	0	0	15,000,000	20.00%
Nan Du Motor Co., Ltd.	14,806,073	23.67%	0	0	14,806,073	23.67%
Carmax Co., Ltd.	22,950,000	51.00%	0	0	22,950,000	51.00%
Lang Yang Toyota Motor Co., Ltd.	2,000,000	20.00%	0	0	2,000,000	20.00%
Formosa Flexible Packaging Corp.	1,295,108	44.44%	0	0	1,295,108	44.44%
Shi-Ho Screw Industrial Co., Ltd.	211,433	21.14%	0	0	211,433	21.14%
Yokohama Tire Taiwan Co., Ltd.	3,000	25.00%	0	0	3,000	25.00%
Smart Design Technology Co., Ltd.	960,961	20.00%	2,968,016	61.77%	3,928,977	81.77%
Ho Tai Cyber Connection Co., Ltd.	79,100,000	70.00%	565,000	0.50%	79,665,000	70.50%
Che-Chun Technology Co., Ltd.	1,650,000	15.00%	3,850,000	35.00%	5,500,000	50.00%
Hotai Coachwork Manufacturing Co., Ltd.	50,000,000	50.00%	20,000,000	20.00%	70,000,000	70.00%
He Jun Energy Co., Ltd.	18,000,000	18.00%	80,000,000	80.00%	98,000,000	98.00%

Note: Affiliates accounted for using the equity method

肆、募資情形

Capital Overview



IV. Capital Overview

4.1 Capital and Shares

4.1.1 Sources of Capital

(1) Capitalization

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital increased by Assets Other than Cash	Other
August 1991	10	94,011,840	940,118,400	94,011,840	940,118,400	Capital increased by Earnings: NT\$156,686,400	N/A	Approved by FSC letter (80) Tai Cai Zheng I No.01537 dated July 16, 1991
August 1992	10	122,215,391	1,222,153,910	122,215,391	1,222,153,910	Capital increased by Earnings: NT\$216,227,230; Capital Surplus Transferred to Share Capital: NT\$65,808,280	N/A	Approved by FSC letter (81) Tai Cai Zheng I No.01669 dated July 20, 1992
August 1993	10	146,658,469	1,466,584,690	146,658,469	1,466,584,690	Capital increased by Earnings: NT\$158,880,010; Capital Surplus Transferred to Share Capital: NT\$85,550,770	N/A	Approved by FSC letter (82) Tai Cai Zheng I No.30058 dated July 14, 1993
November 1994	10	197,990,163	1,979,901,630	197,990,163	1,979,901,630	Capital increased by Earnings: NT\$234,653,550; Capital Surplus Transferred to Share Capital NT\$58,663,390; Issuance of Common Stocks: NT\$220,000,000	N/A	Approved by FSC letter (83) Tai Cai Zheng I No.31768 dated August 5, 1994

IV. Capital Overview

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital increased by Assets Other than Cash	Other
August 1995	10	330,000,000	3,300,000,000	277,186,229	2,771,862,290	Capital increased by Earnings: NT\$395,980,330; Capital Surplus Transferred to Share Capital: NT\$395,980,330	N/A	Approved by FSC letter (84) Tai Cai Zheng I No.37776 dated June 29, 1995
October 1995	10	330,000,000	3,300,000,000	321,780,129	3,217,801,290	Issuance of Common Stocks: NT\$445,939,000	N/A	Approved by FSC letter (84) Tai Cai Zheng I No.49820 dated September 16, 1995
October 1996	10	420,000,000	4,200,000,000	410,269,665	4,102,696,650	Capital increased by Earnings: NT\$241,335,100; Capital Surplus Transferred to Share Capital: NT\$643,560,260	N/A	Approved by FSC letter (85) Tai Cai Zheng I No.53446 dated August 30, 1996
August 1997	10	440,000,000	4,400,000,000	430,783,148	4,307,831,480	Capital Surplus Transferred to Share Capital: NT\$205,134,830	N/A	Approved by FSC letter (86) Tai Cai Zheng I No.46559 dated June 10, 1997
August 1998	10	600,000,000	6,000,000,000	495,400,620	4,954,006,200	Capital increased by Earnings: NT\$215,391,570; Capital Surplus Transferred to Share Capital: NT\$430,783,150	N/A	Approved by FSC letter (87) Tai Cai Zheng I No.50882 dated June 10, 1998

IV. Capital Overview

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital increased by Assets Other than Cash	Other
September 1999	10	600,000,000	6,000,000,000	520,170,651	5,201,706,510	Capital Surplus Transferred to Share Capital: NT\$247,700,310	N/A	Approved by FSC letter (88) Tai Cai Zheng I No.61520 dated July 6, 1999
September 2000	10	600,000,000	6,000,000,000	546,179,184	5,461,791,840	Capital Surplus Transferred to Share Capital: NT\$260,085,330	N/A	Approved by FSC letter (89) Tai Cai Zheng I No.60392 dated July 12, 2000

(2) Type of Stock

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Unissued Shares	Total Shares	
Common Stock	546,179,184	53,820,816	600,000,000	Shares Listed on the Taiwan Stock Exchange ("TWSE")

(3) Shelf Registration: None

IV. Capital Overview

4.1.2 Shareholders Structure

As of April 23, 2022

Shareholders Structure Numbers	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Chinese Institutional Investors	Total
Number of Shareholders	1	0	154	8,534	595	0	9,284
Share Ownership	90,000	0	362,275,397	48,023,846	135,789,401	0	546,179,184
Percentage	0.016%	0%	66.329%	8.793%	24.862%	0	100%

4.1.3 Distribution of Share Ownership

As of April 23, 2022

Share Ownership by Range (Unit: Shares)	Number of Shareholders	Share Ownership	Percentage
1 - 999	6,231	602,871	0.110%
1,000 - 5,000	2,153	3,585,280	0.656%
5,001 - 10,000	205	1,585,152	0.290%
10,001 - 15,000	84	1,056,185	0.193%
15,001 - 20,000	50	897,130	0.164%
20,001 - 30,000	75	1,830,827	0.335%
30,001 - 40,000	58	2,054,596	0.376%
40,001 - 50,000	43	1,919,847	0.352%
50,001 - 100,000	106	7,660,904	1.403%
100,001 - 200,000	73	10,145,694	1.858%
200,001 - 400,000	62	17,039,577	3.120%
400,001 - 600,000	51	24,847,453	4.549%
600,001 - 800,000	17	11,595,423	2.123%
800,001 - 1,000,000	15	13,773,302	2.522%
1,000,001 or above	61	447,859,653	81.999%
Total	9,284	546,179,184	100.00%

IV. Capital Overview

4.1.4 Major Shareholders

As of April 23, 2022

Shareholders	Share Ownership	Percentage
Hoyu Investment Co., Ltd.	48,267,625	8.837%
Toyota Motor Corporation	44,406,112	8.130%
Li Gang Enterprise Co., Ltd.	40,569,353	7.427%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.604%
Cheng Sun Trading Co., Ltd.	24,572,088	4.498%
Shen Rong Investment Co., Ltd.	17,007,066	3.113%
Yuan Tuo Investment Co., Ltd.	14,657,894	2.683 %
Jin Ji Investment Enterprise Co., Ltd.	13,647,776	2.498%
Zhi Geng Development Co., Ltd.	13,286,682	2.432%
Tai Chang Investment Co., Ltd.	12,495,459	2.287%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Item			2020	2021	As of April 30, 2022 (Note 8)
Market Price per Share (Note 1)	Highest Market Price		767.00	669.00	650.00
	Lowest Market Price		335.50	515.00	562.00
	Average Market Price		616.61	595.70	597.09
Net Worth per Share (Note 2)	Before Distribution		119.88	135.07	144.25
	After Distribution		102.88	115.07	124.25
Earnings per Share	Weighted Average Shares		546,179,184	546,179,184	546,179,184
	Earnings per Share (Note 3)		25.36	29.68	7.86
Dividends per Share	Cash Dividends		NT\$17 per share	NT\$20 per share	—
	Stock Dividends	From Retained Earnings	—	—	—
		From Capital Surplus	—	—	—
	Accumulated Undistributed Dividends (Note 4)		—	—	—
Return on Investment	Price/Earnings Ratio (Note 5)		24.31	20.07	—
	Price/Dividend Ratio (Note 6)		36.27	29.79	—
	Cash Dividend Yield (Note 7)		2.76%	3.36%	—

* If the profits and capital surplus are transferred to share capital for share issuance, the Company shall disclose the fair value and cash dividends adjusted retrospectively based on the number of shares issued.

Note 1: List the highest and lowest market price of common shares each year, and the average market price calculated based on annual trading value and volume.

Note 2: Based on the number of issued and outstanding shares at the end of the year and in accordance with the

IV. Capital Overview

distribution approved by the board of directors meeting or shareholders' meeting in the following year.

Note 3: If retrospective adjustment is necessary due to stock dividend distribution, the earnings per share before and after the adjustment shall also be included.

Note 4: If the terms of issue of equity securities provide that any undistributed dividends may be carried forward until the Company has profits, the accumulated undistributed dividends as of the end of such fiscal year shall be disclosed respectively.

Note 5: Price/Earnings Ratio = Average Market Price/ Earnings per Share

Note 6: Price/Dividend Ratio = Average Market Price/ Cash Dividends per Share

Note 7: Cash Dividend Yield = Cash Dividends per Share/ Average Market Price

Note 8: Figures of net worth per share and earnings per share are data from the financial statements as of the most recent quarter audited or reviewed by the auditor; other figures reflect data from the current fiscal year and as of the date of this Annual Report.

IV. Capital Overview

4.1.6 Dividend Policy and Implementation Status

(1) Dividend Policy

As a mature company in the constantly changing automotive industry, our dividend policy considers the following factors: our future working capital needs, long-term financial planning, and cash inflow to deliver value to our shareholders. If the Company has any pre-tax profit at the end of a fiscal year, it shall first set aside an amount to pay business income tax and offset losses from previous years, appropriate 10% from the balance as legal reserve, and shall, pursuant to applicable laws and regulation, set aside a portion of the after-tax profits as special reserve. To the extent that there is any balance of the after-tax profits remaining, the shareholder dividends declared shall be no less than 50% of the distributable profits, from which the cash dividends shall be no lower than 10% of the total dividends declared.

The Board of Directors shall propose a profit distribution plan, including the percentage and form of payment, based on the profitability and available funds of the Company each year, and submit to the shareholders' meeting for approval.

The decision to distribute all or part of the dividends and/or bonuses in cash shall be adopted by a resolution of the majority of the Board of Directors in a meeting attended by over two-thirds of the directors and reported to the shareholders' meeting; the requirement to obtain shareholders' approval in the preceding paragraph does not apply.

(2) Proposed Distribution of Profit

On March 24, 2022, the Company's 20th Board of Directors in the 24th meeting resolved to allocate NT\$10,923,583,680 as the Company's 2021 profit which is to be paid in cash at NT\$20 per share as shareholder dividends. The decision will be reported to the shareholders at the annual general meeting on June 21, 2022.

4.1.7 Impact of the Proposed Stock Dividends Distribution on the Business Performance and Earnings per Share of the Company

No stock dividends were declared under the proposed profit distribution plan.

4.1.8 Employee Remuneration and Directors' Remuneration

(1) Employee Remuneration and Directors' Remuneration under the *Articles of Incorporation*

According to Article 34 of the *Articles of Incorporation* of the Company, to the extent that the Company has generated annual profits, 1% of which shall be set aside for employee remuneration and no more than 2% for directors' remuneration; provided, however, independent directors are not eligible to participate in the profit distribution of the Company. Any accumulated losses of the Company shall first be offset. Employee remuneration may be paid in the form of stocks or cash and shall be approved by over half of the directors present at a Board meeting attended by at least two-thirds of the directors; in addition thereto, such distribution shall be reported at the shareholders' meeting.

IV. Capital Overview

- (2) The Basis for the Estimate of Accrued Employee Remuneration and Directors' Remuneration, and the Basis for Calculating the Number of Shares where Stock Dividends are Distributed

The accrued amounts for our FY2021 employee remuneration and directors' remuneration are estimated at 1% and 2% respectively after taking into account the Company's annual profits.

- (3) Proposed Distribution of Employee Remuneration by the Board of Directors

- (a) Distribution of employee remuneration in the form of cash or stocks and directors' remuneration:

On March 24, 2022, the 20th Board of Directors in the 24th meeting resolved to distribute NT\$192,880,443 of employee remuneration and NT\$385,760,886 of directors' remuneration from the 2021 profits, among which the employee remuneration will be paid in cash.

- (b) Distribution of employee remuneration in the form of stocks, and the distribution in percentage of total pre-tax profits in the parent company only or separate financial statements and total employee remuneration:

Employee remuneration for FY2021 will be paid in the form of cash.

- (4) Distribution of Employee Remuneration and Directors' Remuneration in the Previous Year (including Number of Shares, Amount and Share Price), and the Difference in Value as well as Reason for Deviation and Accounting Treatment where the Actual Distributed Amount for Employee Remuneration and Directors' Remuneration is Different from the Accrued Amount

In FY2021, the actual amounts distributed as employee remuneration and directors' remuneration for FY2020 were NT\$167,026,986 and NT\$334,053,972 respectively, which were consistent with the proposed amount of distribution approved by the Board of Directors.

4.1.9 Repurchase of Shares: Hotai did not buy back any of its own shares

4.2 Corporate Bonds: Hotai did not issue any corporate bonds

4.3 Preferred Stocks: Hotai did not issue any preferred stocks

4.4 Global Depositary Receipts: Hotai did not issue any global depositary receipts

4.5 Employee Stock Options: Hotai did not issue any employee stock options.

4.6 Employee Restricted Stocks: Hotai did not issue any employee restricted stocks

4.7 Issuance of New Shares in Connection with Mergers and Acquisitions or in Exchange for the Shares of another Company: none

4.8 Financing Plans and Implementation: Hotai currently has no financing plans and has not acquired any funds through the issue of securities or a private placement.

伍、營運概況

Operational Highlights



V. Operational Highlights

6.1 Business Activities

6.1.1 Business Scope

(1) Main Areas of Business Operations

- (a) Manufacturing, assembling and sales of all types of vehicles (including chassis and car body) and parts, as well as export and import business
- (b) Manufacturing and maintenance of special vehicles (e.g., trailers, garbage trucks, vacuum trucks, cranes, concrete mixing transport trucks, and tanker trucks)
- (c) Manufacturing, assembling and sales of all types of industrial vehicles (e.g., tractors, loaders, and forklifts) and parts, as well as import and export business
- (d) Car repair and maintenance
- (e) Leasing business
- (f) General insurance

(2) Revenues by Product Category

Product Category	Amount (NT\$ Thousands)	In % of Total Revenues
Toyota and Hino Distribution	133,489,557	54.06
Installment Business	11,522,435	4.67
Leasing Business	24,025,459	9.73
Other	77,879,573	31.54
Total	246,917,024	100.00

(3) Core Products and New Products Development

(a) Core Products

Product Category			Models
General Vehicles	Small Vehicles	Lexus Luxury Vehicles	Imported: LS, ES, IS, RX, NX, UX, LC, RCF, LM
		Toyota Passenger Cars	Imported: PRADO, RAV4 (includes HEV), C-HR, SIENNA HEV, ALPHARD HEV, PRIUS, PRIUS α, PRIUS c, PRIUS PHV, 86, COROLLA SP, CAMRY (includes HEV), HILUX, SUPRA, and GR YARIS Domestically made: COROLLA CROSS(includes HEV), ALTIS (includes HEV), VIOS, YARIS, CAMRY(2.0) and SIENTA
	Commercial Vehicles	Toyota Commercial Vehicles	Imported: diesel minibus Coaster, Granvia, and Hiace
		Hino Commercial Vehicles	Domestically made: diesel buses, heavy trucks and minivans
Leasing Business			Leasing of Toyota, Lexus, Hino and other car brands
Installment Business			Installment sales of Toyota, Lexus, Hino and other car brands

V. Operational Highlights

General Insurance Business	Fire insurance, motor insurance, marine cargo insurance, construction insurance, liability insurance, personal accident insurance, and health insurance
Air Conditioning	Air conditioning made by DENSO for passenger cars and trucks
Parts and Accessories	Components and accessories for the above vehicle models and series

(b) New Products Development

- Toyota: introduction of the new TOWN ACE, CROWN, bZ4X and GR 86
- Lexus: introduction of LC Limited Edition and all-new electric vehicle RZ450e
- Hino: introduction of the new 3.49-ton truck 200 Series and concrete mixer truck
- General insurance: development of new insurance products including usage-based insurance (UBI) for private passenger cars, and spillover policy of casualty insurance and health insurance.

6.1.2 Industry Overview

(1) Current Status and Future Development

In Taiwan, consumer purchasing took a hit due to restrictions imposed under the level three COVID alert when cases started to surge in May 2021. However, new business opportunities arising from working remotely, strong semiconductor export demand in the country, as well as the inherent advantages of the industry continued to boost economic growth. The annual growth rate last year was at 6.45%, up by 3.09 percentage points compared to the revised 3.36% in 2020. Despite the double impact of pandemic outbreaks and automotive chip shortage in the global supply chain, market sentiment improved when the government lowered the alert level in July as steps taken to control the outbreaks have proven successful. In 2021, the total sales in the automotive market were 449,859 units, which have reached 98.3% of the volume of 2020.

When we consider vehicle sales by brand, Toyota, Lexus and Hino are ranked top in market share. The top two players and companies that rank 4th and 6th in the automotive industry are all Japanese car brands, accounting for a total of 59% of the market share.

Ranking	1	2	3	4	5	6
Brands	TOYOTA LEXUS HINO	MITSUBISHI CMC	FORD	NISSAN INFINITI	MERCEDES- BENZ	HONDA
Sales	156,072	51,920	30,379	28,964	28,587	28,550
Market Share	34.7%	11.5%	6.8%	6.4%	6.4%	6.4%

(2) Relationship with Upstream, Midstream and Downstream Companies

The product sources of the automotive industry in Taiwan are authorized by international automobile companies (parent companies of the brands) which provide parts and

V. Operational Highlights

production technology for their assembly lines in Taiwan or import whole vehicles. The Taiwanese distributors then sell and provide pre-sales and after-sales services and vehicle repair and maintenance via their dealerships.

In addition to Kuozui Motors, Ltd. (“Kuozui Motors”) (Toyota small vehicles and Hino large vehicles), other major domestic car manufacturers include China-Motor (Mitsubishi small vehicles and Fuso large vehicles), Yulon Motors (Nissan and Luxgen small vehicles), Ford Lio Ho (Ford small vehicles), Sanyang Motor Co., Ltd (Hyundai small vehicles), and Taiwan Honda (Honda small vehicles).

We distribute vehicles from brands in the industry that are known for their excellent quality, attentive after-sales service, and outstanding marketing and planning ability. Our competitive advantages are continuously strengthened and we have been sitting at the top in market share in the automotive industry for many years.

(3) Product Development Trends and Competition

In recent years, an increasing number of international automakers terminated distribution rights and set up subsidiaries in Taiwan. These subsidiaries actively introduce new products and offer more competitive pricing, and as a result, the market has been largely occupied by import vehicles. However, due to global chip shortage, low supply of import cars and shipping container shortage, the market share of import vehicles slid to 46.9% in the automotive market last year. In terms of vehicle sales volume, SUVs remain a hit among consumers. As multiple automakers began to offer different crossover models, SUV sales climbed in 2021, accounted for 48.4% of total vehicle sales. Toyota COROLLA CROSS became a bestseller among SUVs and domestic cars, while RAV4 remained the bestselling import vehicle for the 14th consecutive year.

Faced with a fast-changing auto industry and shifting economic climate, our top priority has always been the needs of our customers. Our motto—Think Amazing, Do Amazing (Things)—propels us to remain vigilant amid market volatility and maintain competitive advantages. Through innovation and anticipating future industry trends, as well as continuous partnership with Toyota Motor Company (TMC) and our affiliates to create group synergy, we are well-positioned to deliver consumers with premium mobility products and services.

6.1.3 Technology and R&D

- (1) Our Product Planning Department works closely with Kuozui Motors and TMC in continuously analyzing consumer needs and preferences in Taiwan in order to launch new models that respond to market demands. Currently, the models available include COROLLA CROSS, RAV4, CAMRY, ALTIS, VIOS, YARIS, and SIENTA, which are all bestselling vehicles on the market. Notably, ALTIS was the No.1 bestselling domestic single car model for 19 years from 2001 to 2019 until RAV4 and COROLLA CROSS took its place in 2020 and 2021 respectively. Going forward, we will also continue to introduce eco-friendly and fuel-efficient models to meet consumer needs, which is expected to positively impact our sales

V. Operational Highlights

revenue.

- (2) As a vehicle distributor, we specialize in product planning and sales, while the manufacturing, research and development are the responsibilities of TMC and Kuozui Motors.

6.1.4 Short-term and Long-term Development Plans

Long-term Business Development Plans

- (1) Corporate Vision: “Think Amazing”
- (2) Mid to Long-term Strategies
 - (a) Think outside the box and push the limits
 - (b) Innovate customer service to create the most-trusted brand
 - (c) Utilize the advantages of Group synergy and enhance value chain effectiveness
 - (d) Expand Group operations and implement Group management

Short-term Business Development Plans

Keep alert—anticipate the future and stay vigilant

Keep leading—strive for progress to maintain competitive advantages

Keep doing amazing (things)—pursue innovation to gain future business opportunities

(1) Be Proactive and Maintain Advantages and Momentum

	Vehicle	Service
Toyota	Anticipate new trends to make gains in dominant market leadership position	Upgrade service capabilities to become the top provider of comprehensive automotive services
Lexus	25 Years of Lexus—spearhead the industry revolution and develop a blueprint for the new era	25 and Beyond—innovate and transform to create AI-powered customer experience
Commercial Vehicle	Transcend 70 years of history to recreate momentum	Refine services to push beyond the limits

(2) Anticipate Changing Market Conditions and Develop New Business Opportunities for the Group

- Hotai Finance: tap into new business areas and regions to obtain a commanding leadership position in the market.
- Hotai Leasing: diversify leasing services to fulfill the needs of customers in every scenario.
- CarMax: optimize IoV solutions and develop new AI products to streamline with future mobility services.
- Chang Yuan Motor: accelerate the establishment of new business locations to ramp up sales and service capabilities.
- Toyota Material Handling Taiwan: proactively develop car leasing, used cars and logistics business to deliver high profits.
- Hotong: intentionally invest in talent transformation to adapt to the changing business environment and expand peripheral business to divert operational risks.

V. Operational Highlights

- Hotai Insurance: enhance organizational structure and corporate image across the board, and treat customers fairly to achieve customer satisfaction.
- Hotai Cyber Connection: increase mobility service capabilities, refine the online business platform, and develop new e-commerce business using precision marketing and rewards programs.
- Hotai Coachwork Manufacturing Co., Ltd.: brand new coachwork factory begins production to draw a sea of opportunities in the auto body business.

(3) Innovation Reimagined to Inspire a Fresh Outlook

- Expand on the corporate vision of “Think Amazing” by developing top talents to drive business growth for the Group.
- Strengthen the Group’s cybersecurity defense to be the pillars of our data environment.
- Upgrade data-driven MaaS business and integrate the value chain to build a digital service ecosystem to gain dominant market presence in the subscription economy.

(4) Facilitate Sustainable Development of Hotai

- Move towards becoming carbon neutral by implementing supplier environmental sustainability policies and reducing energy consumption and carbon footprints.
- Fulfill our corporate social responsibility by actively engaging in ESG practices and building Hotai Group’s image in social engagement.
- Perfect corporate governance and improve compliance culture to create a blueprint 3.0 for our corporate governance.

6.2 Market and Sales Overview

As a professional distributor for automotive sales and services, we strive to deliver the best services that exceed customer expectation in both pre-sales and after-sales services. In addition, we continuously provide customers with the best products and services by innovative practices to ensure product quality and enhance customer satisfaction.

6.2.1 Market Analysis

(1) Toyota Vehicles

(a) Sales Region

Our core products include domestically made ALTIS, VIOS, YARIS, SIENTA, and COROLLA CROSS (2021 bestselling passenger vehicle), and imported models from Japan, including PRADO, ALPHARD HEV, RAV4, PRIUS α, PRIUS PHV, GR 86, COROLLA SP, CAMRY, SUPRA, HILUX, SIENNA HEV, and GR YARIS (featuring GAZOO Racing), as well as new TOWN ACE, CROWN, and bZ4X. We have developed a complete sales network via our top 8 dealers and 109 sales locations.

(b) Market Share

As we enter 2022, major economies have continued to recover and issues revolving around the shortages of chips and accessories should begin to ease. As a result, the financial aspect of the overall automotive market is expected to be comparable to its performance in 2021. Additionally, driven by favorable factors such as the launch of new products and ramped up sales strategies by competitors, absent other events, the automotive market is projected to reach 460,000 units this year, which is 102% of the volume from a year before.

V. Operational Highlights

This year, the respective sales targets for Toyota and Lexus are 130,000 units and 25,000 units, and the overall sales target for passenger vehicles is 155,000 units, representing a market share of 33.7%.

(c) Future Supply and Demand, Market Growth, Competitive Advantages, Favorable and Unfavorable Factors of Development Prospect

Favorable Factors

- The government's excise tax rebate policy under the scrappage program has been extended for five years until early 2026. As a result, demand for new cars should continue.
- Increased vaccination coverage and government's new policy to coexist with the virus are driving economy growth. Boosted by an upswing in the global stock market and low interest rate, purchasing is expected to continue to rise.
- Compared to its counterparts overseas, Taiwan's relative success in containing the outbreaks ensures strong demand for domestic travel.
- Under the support of TMC, we are gearing up for vehicle electrification and to introduce brand new light commercial vehicles and multiple new vehicle models.

Unfavorable Factors

- In 2021, global chip shortage remained without immediate solutions and new COVID variants continued to impact countries around the world, creating a harsh reality for the auto parts supply chain.
- The Central Bank is prepared to tighten monetary policy, which will result in the climb of inflation and could potentially impact domestic economic activity.

(d) Countermeasures

- Aim for triple dominance in sales to boost value chain development
 - Drive sales from all fronts: demand from the industry and owners for light commercial vehicle, TOWN ACE, creates sales momentum.
 - Innovate value chain services to gain business opportunities: develop new market opportunities around vehicle lifecycle; create new avenues for CPOs; boost peripheral business prospects through sales volume.
- Scale up digital transformation
 - Revolutionize digital sales and upgrade service experience: attract customers using big data and precision marketing; launch new model to touch all points of retail both online and offline; make use of digital tools to create personalized services.
 - Upgrade digital sales and operations: step up our game in AI-powered apps in sales and management; increase synergy in logistics operations
- Explore new frontiers in alternative energy
 - Expand product offerings to achieve carbon neutrality: continue to introduce alternative energy vehicle models and take our products to the next level.
 - Monitor regulatory updates and industry trends: monitor T-NCAP (Taiwan New Car Assessment Program) and CAFE (Corporate Average Fuel Economy) regulations.
- Next-generation branding
 - Expand the Gazoo Racing (GR) brand: introduce multiple GR models, owners

V. Operational Highlights

race, and exclusive promotional campaigns for GR owners.

- Create a brand that resonates with millennials and Gen Z: organize diverse and creative brand activities and renew our commitment to environmental causes.

【Toyota Key Performance Indicators】

Toyota	Industry Assessment Index	Data Source	Final Figures
Sales	Number of Registered Vehicles	Ministry of Transportation and Communications	126,103 units
	Market Share		28%
Remarks	No.1 in the automotive market for 20 consecutive years		

(2) Lexus Vehicles

(a) Sales Region

The core products are imported from Japan, including sedan models, LS, ES, IS, SUV models, RX, NX, and UX, coupe model, LC and RCF, and our flagship model, MPV LM. We create a full coverage sales network through our 8 dealers and 25 sales branches.

(b) Market Share (as of December 31, 2021)

In 2021, the total number of luxury vehicle registrations was 93,423 units, down by 2.0% from a year before. Lexus had 20,584 units of vehicle registrations, accounting for 22.0% of the market share, and sat in the second place in luxury vehicles market.

(c) Future Supply and Demand, Market Growth, Competitive Advantages, Favorable and Unfavorable Factors of Development Prospect

Favorable Factors

- In 2022, revised fuel economy regulations and oil price will likely encourage consumers to purchase vehicles ahead of schedule. Coupled with the extension of vehicle trade-ins for reduced excise taxes through the scrappage program and the uptick in Taiwan's exports, domestic sales volumes can see a considerable increase.
- With smart vehicles evolving rapidly, Connected, Autonomous, Shared and Electric have become the latest development trend in the automotive industry, which simultaneously drives the rise of Mobility as a Service (MaaS), a disruptive innovation of new mobility business models is born as a result and creates new prospects in innovative mobility services.

Unfavorable Factors

- With the goal to go electric this year, competitors are introducing 100% electric vehicle models and actively expanding their product lineups.
- Complementary measures to support alternative fuel vehicles are not yet fully developed, and the charging infrastructure is less than complete compared to their conventional counterparts, which have a dense, established, and convenient network of gas stations.

(d) Countermeasures

- Gradually increase the percentage of hybrid-electric vehicles (HEVs) and plug-in

V. Operational Highlights

hybrid vehicles (PHEVs) that meet fuel economy requirements as the backbone to drive sales volume.

- Develop a roadmap in the electrification era by securing a spot in the market for our electric vehicle models, including the new Lexus RZ450e, to craft a leading BEV brand among luxury vehicles.
- Combine Group resources to increase the number of charging stations and improve charging infrastructure across the island; introduce EV charging apps to provide car owners real-time digital services.
- Launch big data applications and digital transformation—create a personalized experience that exceeds customer expectations using tailored service and mobile optimization to achieve a more dynamic and personal service process.

【Lexus Key Performance Indicators】

Lexus	Industry Assessment Index	Data Source	Final Figures
Sales	Number of Registered Vehicles	Ministry of Transportation and Communications	20,584 units
	Market Share		22.0%
Remarks	Currently ranks 2 nd in the luxury vehicles market		

(3) Commercial Vehicles

(a) Main Sales and Supply Region

- Main sales region: Taiwan
- Main supply region: Japan and Taiwan

(b) Market Share (as of December 31, 2021)

New emission standards for Class 6 diesel trucks were implemented in 2021 and accelerated a wave of Class 5 vehicle purchasing. The total commercial vehicles registrations in the market reached 28,378 units, which was 123.5% of last year's volume. Under our brands, we had a total of 9,422 units of vehicle registrations, representing 33.2% of the market share, which solidified our leadership position in the commercial vehicles market.

- The overall large commercial vehicle registrations reached 15,289 units, which was 115.6% of the volume from the previous year; vehicle registrations under our brands were 4,425 units, which accounted for 28.9% of the market share as we retain a dominating position in the large commercial vehicles market for 12 consecutive years.
- The overall light commercial vehicle registrations (3.49-ton and 5-ton) reached 13,089 units, which was 134.2% of the volume from the previous year; vehicle registrations under our brands were 4,997 units, which accounted for 38.2% of the market share.

(c) Favorable and Unfavorable Factors of Future Market Development

Favorable Factors

V. Operational Highlights

- The stay-at-home economy is here to stay and is expected to continue to fuel vehicle purchase in the logistics industry.
- As COVID cases moderate, tourism sees an upturn and demand for buses is expected to rise.
- Bringing manufacturing back to Taiwan drives the inelastic demand factory and residential building constructions, and growth in exports and imports will both boost the demand for heavy duty vehicles.
- The Executive Yuan implemented the “Forward-Looking Infrastructure Plan” at a 4-year budget of NT\$420 billion since 2017 to promote infrastructure construction projects, which have increased demand in heavy duty trucks for constructions.
- The Environmental Protection Administration has extended the deadline to apply for increased grants to replace older diesel trucks until the end of 2022.

Unfavorable Factors

- The shortage of chips and certain components and parts affect the supply of vehicles.
- Some of the vehicle demand has been reflected prior to the emission and safety regulations of Class 6 trucks were implemented in 2021.
- Worsening inflation and price increase for new vehicle models that meet the Class 6 emissions and safety regulations deter customers’ willingness to purchase.

(d) Countermeasures

- Plan ahead and increase the percentage of light commercial vehicle purchasing and replenish inventory of low on stock models when the supply chain stabilizes.
- Work with Hotai Coachwork to craft a diverse process of car body construction to maximize commercial vehicle value chain.
- Regularly launch new products
 - Introduce the 200 series 3.49-ton automatic/long-wheelbase models to increase the functionality of light commercial vehicles.
 - Introduce the 300 series hybrid trucks to adapt to the global low-carbon, sustainability transition.
 - Introduce Granvia 8-seater luxury version to gain opportunities in the tourism/airport shuttle service industries.
- Promote the new telematics system and accelerate the introduction of management framework for large-scale logistics.

(4) Car Leasing

(a) Service Areas

Currently, we have 12 business locations to provide long-term leasing, 50 business locations to provide short-term rental, and 1,660 *iRent* locations across the country.

(b) Market Share (as of December 31, 2021)

The car leasing market recorded a total of 48,245 units in 2021 (accounted for 10.7% of the automotive market’s new vehicles sales); we achieved 12,600 units as the number one in car rentals with a 26% market share.

(c) Future Supply and Demand and Market Growth

Looking ahead, wider vaccination coverage and strong exports have contributed to optimism for economic recovery in 2022. Government policy and supply chain

V. Operational Highlights

demand are accelerating the development in the renewable energy sector; rising carbon awareness is driving automakers to introduce numerous new and redesigned vehicle models, stimulating overall consumer demand for cars. In addition, the complete product lines of our brands could further increase demand of fleet customers and consumers for additional vehicles or replacement vehicles. Along with the design of diverse products and programs, the demand for car leasing and installment financing is expected to rank top under each performance indicator and deliver another record-breaking year. This year, we expect sales to peak and set new highs in the car leasing market.

(d) Favorable and Unfavorable Factors of Future Market Development

Favorable Factors

- Market shares of our brands hit a new high, which is conducive to the sustainable growth of our leasing business.
- As the pandemic slows in Taiwan, the government launches stimulus vouchers to boost domestic spending, which is likely to encourage consumers' willingness to purchase.

Unfavorable Factors

- Severe chip shortage and slower than expected supply chain recovery directly impact vehicle delivery timelines.
- Banks and competitors in the industry are competing with low prices.

(e) Countermeasures

- Create additional sources of revenue by expanding the business scope through cross-industry service innovation, streamlining customer interactions, and exploring business opportunities.
- Utilize digital technologies to create a subscription ecosystem to gain customer traction and boost willingness to purchase.
- Improve after-sales customer satisfaction and increase customer loyalty to achieve higher retention and referral rate.

(5) Installment Financing

(a) Service Region

We have representatives at 21 business locations across Taiwan to provide vehicle installment financing services.

(b) Market Share (as of December 31, 2021)

The total amount of auto loans approved was NT\$100.2 billion, which outperforms competitors and ranks top in the industry.

(c) Future Supply and Demand and Market Growth

Despite uncertainties surrounding the auto chip shortage and new COVID outbreaks, the 5-year extension of government's subsidy policy of vehicle trade-ins for reduced excise taxes ensures an influx of demand for new vehicles. In addition, vehicle brands distributed by Hotai Motor are having increasingly larger market presence, driving the business's installment sales. The current upward trend in the overall installment financing market will likely lead to a higher demand for auto installment programs this year.

(d) Favorable and Unfavorable Factors of Future Market Development

V. Operational Highlights

Favorable Factors

- The market share of our brands continues to grow and extension of the scrappage program should benefit the growth of the business.
- The economy in Taiwan remains strong, boosting consumers' willingness to purchase

Unfavorable Factors

- Auto chip shortage prolongs new vehicle delivery timeline.
- Banks and other installment financing competitors are competing with low prices.

(e) Countermeasures

- Improve operations management, develop distribution channels of our own brands and other car brands to increase our reign in vehicle installment financing.
- Diversify installment business with a focus in motorcycles, commercial vans and trucks, machinery and equipment, and general merchandise.
- In keeping with the latest renewable energy trend, explore business prospects in green energy by developing products in the field of green finance.

(6) General Insurance

- (a) Service Region: Services are provided through 5 subsidiaries, 24 service locations, and 6 satellite offices in Taiwan.

(b) Market Forecast

In 2022, the pandemic continues to loom over the world. Despite having emerged as a success story in the battle against the pandemic, increased awareness of the need for insurance and growing demands of the general population in Taiwan contribute as factors that pandemic-related insurance products remain a consistent source of premium growth under the pandemic. With the rising market share of smartphones with 5G connectivity, the mobile phone insurance market can see an ongoing increase, especially when coverage can also be purchased for older cellphone models. In addition, investments made by corporations in response to the government's green energy policy and public infrastructure projects could bring potential commercial insurance business opportunities. Against the backdrop of COVID, supply of new vehicles is impacted by the auto chip shortage and global supply chain, which indirectly affects the auto insurance market. As we look to assess the general climate of the property insurance market, we predict with cautious optimism that property insurance premium will see sustainable growth in 2022.

(c) Business Target

The company has seen a climb from the 8th to 6th spot in written premium and is ranked among the top 6 players in market share in 2021. It is estimated that the company's written premium income this year will reach NT\$ 12.5 billion, a 12% growth from a year before as it moves towards becoming a mid- to large-size insurance company.

(d) Key Policies

- Anticipate customer needs and develop new products and collaborations to quickly respond to the market.
- Prioritize our customers and employees and increase professional capability training to provide premium customer service.
- Optimize system process and control costs.

V. Operational Highlights

- Secure fixed revenue to achieve a steady rate of return on asset investments.
- Build an adaptable organization and culture to accelerate its digital transformation.
- Monitor industry and global trends to provide state-of-the-art products and services.

6.2.2 Production Process of Core Products

(1) Core Products and Primary Uses

Product Category		Primary Uses
Toyota	Passenger Car	Means of transportation instead of walking, or used for leisure, commuting, business travel or for business use of companies, and for rental and taxi industries to carry passengers.
	Commercial Vehicle	For companies to carry passengers or commodities, or for passenger transportation and sightseeing bus industries, organizations, schools and groups to carry passengers.
Hino	3.49-ton and 5-ton Light Truck	For companies or logistic companies to transport commodities.
	Truck	For companies or logistic companies to transport commodities.
	Bus	For passenger transportation and sightseeing bus industries, organizations, schools and groups to carry passengers.

(2) Production Procedures of Core Products: we do not operate a production business, thus there is no production procedure.

6.2.3 Supply of Main Raw Materials

Product Category		Primary Suppliers
Toyota	Passenger Car, Commercial Vehicle and Parts	Imported: TMC and TMAP Domestically made: Kuozui Motors
Hino	Truck and Bus	Imported: Hino Motors, Ltd. Domestically made: Kuozui Motors

6.2.4 Suppliers (Customers) Accounted for More than 10% of the Total Purchase (Sales) in any Given Year for the Last Two Years

(1) Customers Accounted for Over 10% of the Total Sales for the Last Two Years

V. Operational Highlights

Customer Name	2020			2021			As of Q1 2022		
	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Sales (NT\$ Thousands)	Percentage (%)	Relation with Hotai
Central Motor Co., Ltd.	27,194,578	14	Investee Company Accounted for Using Equity Method	27,635,662	14	Investee Company Accounted for Using Equity Method	6,917,481	14	Investee Company Accounted for Using Equity Method
Tau Miao Motor Co., Ltd.	24,627,557	13	Investee Company Accounted for Using Equity Method	25,312,390	12	Investee Company Accounted for Using Equity Method	6,385,161	13	Investee Company Accounted for Using Equity Method
Kuotu Motor Co., Ltd.	19,929,634	10	Investee Company Accounted for Using Equity Method	17,943,998	9	Investee Company Accounted for Using Equity Method	4,161,995	8	Investee Company Accounted for Using Equity Method
Taipei Toyota Motor Co., Ltd.	20,070,605	10	Investee Company Accounted for Using Equity Method	19,809,896	10	Investee Company Accounted for Using Equity Method	4,591,129	9	Investee Company Accounted for Using Equity Method

(2) Suppliers Accounted for Over 10% of the Total Purchase for the Last Two Years

Company Name	2020			2021			As of Q1 2022		
	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai	Net Purchase (NT\$ Thousands)	Percentage (%)	Relation with Hotai
Kuozui Motors, Ltd.	46,047,770	20	Investee Company Accounted for Using Equity Method	60,309,556	27	Investee Company Accounted for Using Equity Method	14,682,957	30	Investee Company Accounted for Using Equity Method
Toyota Motor Corporation	49,480,906	22	Director of Hotai	42,368,272	19	Director of Hotai	9,136,235	18	Director of Hotai

6.2.5 Production Volume and Amount for the Last Two Years: N/A

V. Operational Highlights

6.2.6 Sales Volume and Amount for the Last Two Years

Division	2020				2021			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Sales Volume (Units) (Note 1)	Sales Amount (NT\$ Thousands)	Sales Volume (Units) (Note 1)	Sales Amount (NT\$ Thousands)	Sales Volume (Units) (Note 1)	Sales Amount (NT\$ Thousands)	Sales Volume (Units) (Note 1)	Sales Amount (NT\$ Thousands)
Toyota and Hino	127,638	131,181,239	-	-	131,438	133,489,557	-	-
Installment Business	-	9,354,634	-	-	-	11,522,435	-	-
Leasing Business	-	18,040,501	-	3,201,946	-	20,602,647	-	3,422,812
Other	11,223	44,099,918	19,340	25,935,031	13,947	51,373,733	19,198	26,505,840
Total	138,861	202,676,292	19,340	29,136,977	145,385	216,988,372	19,198	29,928,652

Note 1: Sales volume refers to the number of new vehicles sold.

V. Operational Highlights

6.3 Key Statistics of Group Employees for the Last Two Years and as of the Date of the Annual Report

Year		2020	2021	As of March 31, 2022
Number of Employees	Direct Personnel (Sales representatives)	3,573	4,039	3,998
	Indirect Personnel (Support / management department)	3,685	3,774	3,953
	Total	7,258	7,813	7,951
Average Age		37.60	38.54	38.43
Average Length of Service		6.31	7.15	9.73
Highest Level of Education (%)	Ph.D.	0.07%	0.09%	0.09%
	Master's Degree	11.22%	11.74%	11.87%
	Bachelor's Degree	62.33%	65.76%	65.87%
	Senior High School Diploma	20.06%	19.22%	19.12%
	Below Senior High School	6.32%	3.19%	3.06%
Total		100%	100%	100%

6.4 Environmental Costs

List the losses caused by environmental pollution in the most recent fiscal year and up to the date of this annual report (including restitutions, items indicated in the environmental audit results that are in violation of environmental laws and regulations, the date on which the penalty is imposed, case number, laws and regulations violated, and details of the penalty), and the estimated amount and corresponding measures that may occur in the present and future shall be disclosed. If the amount cannot be reasonably estimated, the circumstances that render it impossible to be reasonably estimated shall be described: None

6.5 Labor Relations

6.5.1 Our employee welfare, education, training, retirement system and its implementation, as well as Labor-Management agreement and measures for the protection of employee rights are as follows:

(1) Employee Welfare

- Annual family day event, year-end banquet and raffles
- Holiday gifts (i.e., Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival), as well as birthday, wedding, childbirth, and retirement gifts
- A fixed amount of travel allowance for employees and their spouses and children
- Subsidy and consolation payment for hospitalized employees, consolation payment and support for employees who have lost family members (also available to spouses and children of the employees)

V. Operational Highlights

- (e) Group term life insurance and injury insurance coverage
- (f) Scholarship, loan and financial aid for employees and their children
- (g) Partnership with authorized stores under a contract to provide employee discount
- (h) Paid physical examination once a year
- (i) Club activities sponsored
- (j) Employee discount for car purchases

(2) Retirement System

The retirement system of the Company is in compliance with relevant laws. We have also adopted the employee retirement regulations as follows:

- (a) Employees who came onboard on or after July 1, 2005 shall be subject to the Labor Pension Act.
- (b) All the employees who came onboard before July 1, 2005 have received compensation for their prior seniority under the old pension system as of November 1, 2009 and opted for the new labor pension system, which is governed by the rules under the Labor Pension Act.
- (c) Employees who meet any of the following conditions may request for retirement:
 - Continuous service of 15 years or more and have reached the age of 55
 - Continuous service of 25 years or more
 - Continuous service of 10 years or more and have reached the age of 60

(3) Training Programs

At Hotai, we see employees as our greatest asset. As a result, we have invested considerable efforts in the development and training of talents. Each year, we design education and training programs which include a variety of courses on competency, professional skills, and employability tailored to employees at different ranks. In 2021, we introduced the E-learning Plus online platform so that employee can access the resources without the limit of time and location. The programs are aimed to increase employee competitiveness in the business environment and promote sustainable operations by improving the competency and quality of the employees. Our employee training programs consist of the following two categories:

- (a) Internal training courses: The education and training unit is responsible for preparing the annual budget and educational goals, and invite guest lecturers, management personnel or employees who have been trained to be lecturers to teach the courses. The trainings are aimed to cultivate positive work attitudes and personal values, enhance work skills, competency and technical skills of employees, and promote the latest industry trends and knowledge-sharing.
- (b) External training courses: The courses are designed mainly to supplement the internal training. Each year, we create a budget that allows our employees to receive language education (English/Japanese) outside the workplace, and we also send our employees to business consultancy firms, professional institutions, and locations overseas for training based on their professional capacities.
- (c) Training Statistics in 2021

Course Type	Attendance	Expenses	Total Expenses
Internal Training	8,318	NT\$10,021,943	NT\$10,165,864

V. Operational Highlights

External Training	20	NT\$143,921	
-------------------	----	-------------	--

(4) Labor-Management Agreements and Measures for the Protection of Employee Rights

We strive to adhere to the management principles that respect employees and foster harmonious labor relations. Employees are encouraged to freely express their opinions and concerns through a quarterly labor-management meeting or a less formal channel (such as employee suggestion box), and to which we will provide responses and appropriate solutions. The information in relation to our measures to enhance effective communication is shown in the table below:

Companies	Commentary on the Measures
Hotai Motor Co., Ltd.	Organize quarterly labor-management meeting and set up employee suggestion box
Hoton Motor Investment Co., Ltd and its 4S Store	Management personnel shall be the point of contact to receive employee suggestions
Chang Yuan Motor Co., Ltd.	Employee can make suggestions through HR personnel
Toyota Material Handling Taiwan Ltd.	Set up an e-mail account to exclusively receive employee feedbacks and suggestions
Eastern Motor Co., Ltd.	The head of the customer relations department shall collect employee suggestions during store inspection and share those feedbacks at the weekly management meetings.
Formosa Flexible Packaging Corp.	Hold quarterly labor-management meetings and appoint dedicated staff from the general administration department to be responsible for collecting employee suggestions and providing responses.
CarMax Co., Ltd./ CarMax Autotech (Shanghai) Co., Ltd.	Employees can make suggestions through HR personnel
Hotai Finance Co., Ltd./Hotai Leasing Co., Ltd. and Affiliates	Employees can make suggestions through HR personnel
Ho Tai Development Co., Ltd.	(1) Management personnel shall be the point of contact to receive employee suggestions and feedbacks and share them at the weekly management meetings.
	(2) Employees can submit suggestions and feedbacks through the electronic reporting system

6.5.2 List the loss incurred due to labor disputes in the most recent fiscal year and as of the date of this annual report (including violations of the *Labor Standards Act* found during any labor inspection, the date on which the penalty is imposed, case number, regulations violated, description of the regulations violated, and details of the penalty), and disclosure of the estimated amount of current and potential loss and countermeasures. If the amount cannot be reasonably estimated, the circumstances that render it impossible to be reasonably estimated shall be described:

- (1) Due to our comprehensive system and people-centric management approach, we have been able to maintain a harmonious relationship with our employees and work together to achieve a sustainable business. There has never been any significant labor dispute since

V. Operational Highlights

Hotai was founded. Going forward, we believe that the possibility of losses incurred due to labor disputes in the future is extremely low given our culture of respect and harmonious interaction between Hotai and our employees.

(2) Employee Code of Conduct/Ethics

In August 2009, we adopted and promulgated Hotai's *Employee Code of Conduct* with the aim to achieve the following:

- (a) To establish consistent ethical standards and enhance employee self-discipline in the workplace in order to improve Hotai's corporate governance practices and internal control.
- (b) To strengthen a corporate culture that promotes public welfare and environmental sustainability and work together with our employees to make social contributions, so as to enhance corporate image.

Depending on the parties involved, the rules under the *Employee Code of Conduct* which employees are subject to can be divided into the following three categories:

(a) Company Related

- Employees shall follow the *Employee Code of Conduct* and perform their duties with integrity.
- The Company shall work together with the employees and utilize their skills to continuously improve business performance of the Company.

(b) Business Activity Related

- Employees shall comply with the law, be conscientious and have a strong sense of responsibility.
- Employees are encouraged to resolve issues arising from the growing needs of customers and expansion of the Company. For example, to establish an appropriate purchase and supply network, meet environmental and safety standards, and improve customer satisfaction.

(c) Society Related

- Employees are expected to support the Company in becoming a trusted corporate citizen, communicate with stakeholders in an impartial and transparent manner, participate in activities promoting sustainable development of the society, and maintain humility, honesty and integrity.
- Employees should have a basic understanding of legal knowledge and social norms, and be able to identify behaviors that are against the law or social norms and take prompt and proper countermeasures.

To address employee conduct and workplace ethics, Eastern Motor Co., Ltd., CarMax Co. Ltd., Ho Tai Development Co., Ltd., Toyota Material Handling Taiwan Ltd., Ho Tai Cyber Connection Co., Ltd., and Chang Yuan Motor Co., Ltd. require employees to sign an affidavit on their onboard dates, which states that employees will comply with all the company rules and regulation. Other group companies also promote employee conduct and business ethics through their intranet and awareness campaigns. We place great emphasis on discipline and compliance and have adopted a set of general regulations on human resources management to establish the expectations of proper attitude and behaviors of employees in the workplace. In addition, our commitment to gender equality prompts us

V. Operational Highlights

to adopt the *Hotai Motor Workplace Sexual Harassment Prevention Measures, Grievance Procedures, and Penalties*, the details of which are described below:

- The guideline is adopted in compliance with Article 13, Paragraph 1 of the *Act of Gender Equality in Employment, Regulations for Establishing Measures of Prevention, Correction, Complaint and Punishment of Sexual Harassment at Workplace*, and Article 7, Paragraphs 1 and 2 of the *Sexual Harassment Prevention Act*.
- The Sexual Harassment Committee has five members, which consists of representatives of the employees and management. At least one expert or scholar can be appointed to the committee as deemed necessary.
- Members of the Sexual Harassment Committee shall consist of at least 50% female and either gender shall make up at least one third of the committee.
- In addition to awareness campaigns and posters, we have also established a dedicated webpage on our intranet for the purpose of providing information and promoting awareness.
- The dedicated webpage should include preventive measures, resources for educating on gender equality, and company policies and regulations.

6.6 Information Security Management

6.6.1 Describe the information security risk management framework, information security policy, management approaches, and resources invested in information security management

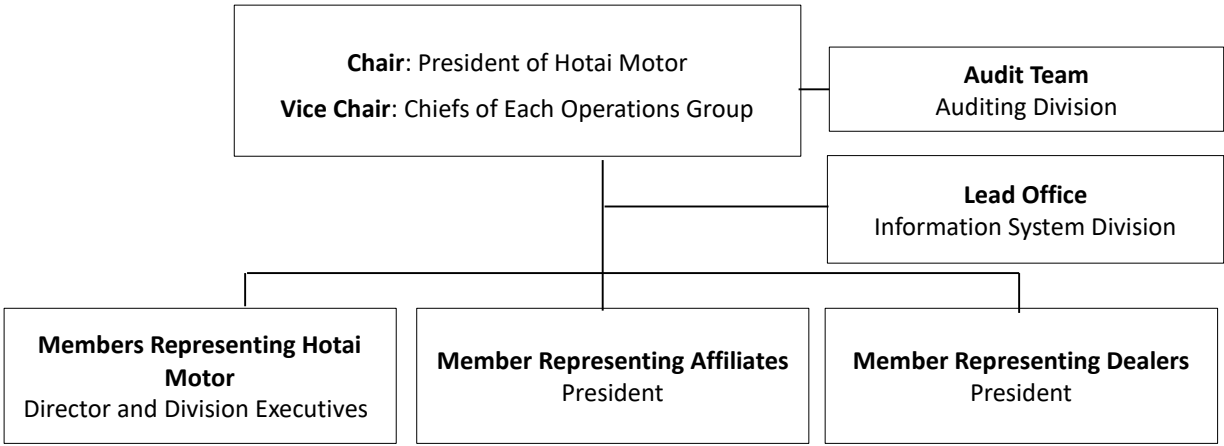
(1) Information Security Risk Management Framework

(a) Information Security Governance Structure

To fulfill our commitment to “Zero Defects Information Security” and deliver high quality service:

- In 2007, Hotai Motor established an Information Security Committee as the highest governing authority of the Group’s information security practices. The committee is led by the President as the chair of the committee and meets once every year. Members of the committee are charged with reviewing information security policies and overseeing the operations of the information security management system.
- As part of the efforts to build the most robust information security defense, a lead office is added under the information security governance structure with the head of Information System Division as the chair. The Lead Office meets monthly to review the scope and integrity of the information security policies based on the requirements of internal and external environment and regulations and revise the policies as needed and assess the implementation and outcome of the Group’s information security policies to ensure that they comply with the Group’s information security requirements. In the event of a material information security or personal data breach, the lead office should handle and report to the chair of the committee.

(b) Hotai Motor’s Information Security Committee Structure



(2) Information Security Policies

(a) Information Security Management Strategies and Framework

Our information security policies are created around three key aspects: information security defense, regulatory compliance, and technology application. By defining organizational structure and functions from a business strategic perspective, we ensure that all the data and assets within the information security management system are adequately safeguarded. In the face of rapidly evolving information technology environment, Hotai Motor worked with eight dealers to promote ISO 27001 certification, an international standard for information security management, and became the first company in Taiwan’s automotive industry to have dealers and every single supplier in the upstream and downstream certified to ISO 27001 standards. To this day, we continue to adopt the latest version of internationally recognized information security standards as part of our efforts to reinforce Hotai Motor’s information security management capability and establish a secure data operating environment.

Through regular meetings, the Lead Office uses the PDCA (Plan-Do-Check-Act) approach to review the adequacy of our information security policies and safeguarding measures, assess the potential impact on our information security prior to the implementation of any new technology or new information and communications system projects, and regularly brief the Information Security Committee on the implementation outcomes to maintain the confidentiality, integrity, and availability of the data. This mechanism enables us to meet the required data service risk assessment and personal data protection and be fully prepared for network security threats.

- Plan (P)—design and establish: prioritize information security risk management and establish a comprehensive information security management system (ISMS) based on internal and external threats to reduce the impact of corporate information security risks from a systemic, technological, and procedural

V. Operational Highlights

perspective, building a robust information security defense mechanism.

- Do (D)—develop and implement: build a strong information security defense throughout the organization using our global threat intelligence, introducing AI analytics technology, and systematizing information security monitoring mechanism to maintain the confidentiality, integrity and availability of Hotai Motor's key assets.
- Check (C)—monitor and review: meet monthly to monitor the effectiveness of the information security management, conduct risk assessment based on results of the review, quantify risk indicators and formulate risk management plans.
- Act (A)—maintain and adjust: ensure that the information security policies and security mechanisms remain effective through oversight and audit; follow up on the progress and outcome of improvements based on the risk assessment results to prevent confidential information from unauthorized access and disclosure.

(b) Management Approach and Resources Invested

In the face of various external information security threats and cyberattacks, we have expanded our cyber security defenses by extending protection from mainframes to endpoint devices. The aim is to prevent hackers from accessing or embedding in our network and eliminate external threats which result in crisis that could potentially paralyze our operations. In 2021, we adopted heightened monitoring of endpoint activities and increased mainframe security to prevent renewed cyberattacks and hacking methods.

- Reinforcing monitoring of endpoint activities: control USB access and software installation permission to restrict ways hackers can gain access to our network, establish a logging mechanism that collects and analyzes activities on the computers which alerts users of abnormalities and promptly blocks potential threats, and quickly investigate the root cause of the incidents and come up with countermeasures.
- Increasing mainframe security: strengthen the identity verification process and implement domain and network segmentation management to prevent a full-scale hacker attack and data kidnapping and divert the risks of having the information system being paralyzed.
- Users with high security clearance or are high risk (e.g., IT personnel, dispatched employees, partner businesses): implement information security mechanism for remote access and check against the global threat intelligence database that automatically detect risks and block attacks to ensure that proprietary data is secure when accessed through the company's network remotely.

Despite our information security measures, it is impossible to eliminate risks completely in this area. With new hacking techniques emerging constantly, it is important for us to continue building employees' information security awareness through diverse training and communication strategies to raise the overall awareness of the organization. Some of our efforts include, requiring every new employee to complete two hours of information security training and testing to reduce the likelihood of information security incidents or data leaks due to lack of knowledge of

V. Operational Highlights

relevant regulations on the part of employees. In addition to conducting information security training for all employees each year, we also send information security newsletters regularly to share relevant news and case studies and using it as an opportunity to promote awareness and communicate Hotai Motor's latest regulations and guidelines with employees so that they are fully aware of information security risks and the importance of data protection.

- 6.6.2 Disclose any loss, potential impact, and countermeasures of any major information security events occurred in the most recent year and as of the date of this annual report. If the amount of loss cannot be reasonably estimated, the circumstances that render it impossible to be reasonably estimated shall be described: N/A

6.7 Material Agreements

As of December 31, 2021

Type of Agreement	Parties Involved	Term	Summary	Restrictive Clauses
Hotai				
Distributor Agreement	Toyota Motor Corporation	January 1, 2019 to December 31, 2021 (for Toyota and Lexus) (The contract was renewed in 2021, and the new contract term runs from January 1, 2022 to December 31, 2024.)	Sales of imported and domestic models, parts and accessories of Toyota and Hino in Taiwan.	None
	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (for Hino)		
Agreement for the Sale and Purchase of Kuozui Products	Kuozui Motors, Ltd.	Except for reasons stated in the termination clause, the contract remains effective from July 1, 1995 (for Hino vehicles) and from January 1, 1998 (for Toyota vehicles). (A new contract for Toyota vehicles was signed in 2021 and became effective as of January 1, 2022)	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under license, to the Company for the purpose of sales and distribution in Taiwan.	None
Product Dealership Agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2021 to May 14, 2024	To authorize dealers to sell vehicles, parts and automobile products provided by the Company within the distribution region.	None
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 Unless otherwise terminated in writing and signed by both parties, the contracts remain effective.	The Company is designated to conduct affairs such as sales, supply chain management, pre-sales services, after-sales services and management of promotion and marketing.	None

V. Operational Highlights

Chang Yuan Motor Co., Ltd.				
Trading Contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003. Unless otherwise terminated in writing and signed by both parties, the contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under license, to the Company for the purpose of sales and distribution in Taiwan.	None
Toyota Material Handling Taiwan Ltd.				
Distributor Agreement	Toyota Industries Corporation	From April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for construction and industry use in Taiwan.	None

陸、財務概況

Financial Information



VI. Financial Overview

7.1 Condensed Balance Sheet and Statement of Comprehensive Income for the Last Five Years

7.1.1 Condensed Balance Sheet (Consolidated) - Based on IFRS

Unit: in thousand NT\$

<div>Year</div> <div>Item</div>		Financial Data for The Last Five Years (Note 1)					As of March 31, 2022 (Note 3)
		2017	2018	2019	2020	2021	
Current Assets		143,483,580	156,256,037	172,608,940	200,795,705	249,589,847	265,038,058
Property, Plant and Equipment		34,993,759	41,852,407	45,743,695	48,726,030	53,619,235	55,721,221
Intangible Assets		1,208,992	1,224,857	1,232,870	1,211,245	1,297,739	1,282,338
Other Assets		26,907,155	30,052,404	35,948,550	39,757,552	45,105,963	46,254,049
Total Assets		206,593,486	229,385,705	255,534,055	290,490,532	349,612,784	368,295,666
Current Liabilities	Before Distribution	131,482,673	150,298,633	159,822,615	184,960,142	228,560,880	240,724,269
	After Distribution (Note 2)	138,036,823	156,852,783	167,469,124	194,245,188	239,484,464	251,647,853
Non-Current Liabilities		20,234,665	20,851,114	20,102,813	21,645,048	26,585,939	26,748,285
Total Liabilities	Before Distribution	151,717,338	171,149,747	179,925,428	206,605,190	255,146,819	267,472,554
	After Distribution (Note 2)	158,271,488	177,703,897	187,571,937	215,890,236	266,070,403	278,396,138
Equity Attributable to Shareholders of the Parent		46,655,301	49,335,726	58,586,436	65,477,704	73,770,851	67,863,102
Share Capital		5,461,792	5,461,792	5,461,792	5,461,792	5,461,792	5,461,792
Capital Surplus		263,060	292,159	2,816,734	2,818,336	2,807,477	2,926,579
Retained Earnings	Before Distribution	40,236,347	43,713,877	49,094,707	55,264,500	62,252,639	66,545,930
	After Distribution (Note 2)	33,682,197	37,159,727	41,448,198	45,979,454	51,329,055	55,622,346
Other Equity Interest		694,102	(132,102)	1,213,203	1,933,076	3,248,943	3,852,385
Treasury Stock		-	-	-	-	-	-
Non-Controlling Interest		8,220,847	8,900,232	17,022,191	18,407,638	20,695,114	22,036,426

VI. Financial Overview

Total Equity	Before Distribution	54,876,148	58,235,958	75,608,627	83,885,342	94,465,965	100,823,112
	After Distribution (Note 2)	48,321,998	51,681,808	67,962,118	74,600,296	83,542,381	89,899,528

Note 1: The financial data from 2017 to 2021 has been audited and certified by CPAs.

Note 2: The dividend decided by the board of directors meeting held on March 24, 2022 will be paid in cash and be reported during the annual shareholders meeting

Note 3: The financial data for the first quarter of 2022 has been reviewed by CPAs.

VI. Financial Overview

7.1.2 Condensed Statement of Comprehensive Income (Consolidated) – Based on IFRS

Unit: in thousand NT\$

Year Item	Financial Data for the Last Five Years (Note 1)					As of March 31, 2022 (Note 2/Note 3)
	2017 (Note 2)	2018 (Note 2)	2019 (Note 2)	2020 (Note 2)	2021 (Note 2)	
Operating Revenue	180,774,590	187,027,586	213,879,953	231,813,269	246,917,024	61,172,896
Gross Profit	-	-	-	-	-	-
Operating Profit	-	-	-	-	-	-
Non-Operating Income and Expenses	-	-	-	-	-	-
Profit Before Income Tax	14,284,042	15,195,274	17,372,986	21,124,885	24,970,659	6,618,765
Income Tax Expense	(2,719,447)	(3,595,444)	(3,788,087)	(4,589,675)	(5,412,569)	(1,373,540)
Profit for the Year	11,564,595	11,599,830	13,584,899	16,535,210	19,558,090	5,245,225
Other Comprehensive Income (Loss) for the Year, Net of Tax	(24,571)	(853,915)	1,464,276	725,303	1,334,038	718,988
Total Comprehensive Income for the Year	11,540,024	10,745,915	15,049,175	17,260,513	20,892,128	5,964,213
Profit Attributable to Owners of Parent	10,115,607	10,025,535	11,768,815	13,848,870	16,210,758	4,293,291
Profit Attributable to Non-Controlling Interests	1,448,988	1,574,295	1,816,084	2,686,340	3,347,332	951,934
Comprehensive Income Attributable to Owners of Parent	10,103,209	9,205,476	13,280,285	14,536,175	17,589,052	4,896,733
Comprehensive Income Attributable to Non-Controlling Interests	1,436,815	1,540,439	1,768,890	2,724,338	3,303,076	1,067,480
Earnings Per Share (in New Taiwan dollars)	18.52	18.36	21.55	25.36	29.68	7.86

Note 1: The financial data from 2017 to 2021 has been audited and certified by CPAs.

VI. Financial Overview

Note 2: On January 17, 2017, we acquired 99.80% of the equities in Zurich Insurance (Taiwan) Ltd. (which was renamed as Hotai Insurance Co., Ltd.). Since Hotai Insurance Co., Ltd. is considered a consolidated business from a different industry, the 2017 to 2022 Q1 comprehensive income statements are issued in a single-step format. Therefore, there are no figures available on gross profit, operating profit, and non-operating income and expenses.

Note 3: The financial report for the first quarter of 2022 has been reviewed by CPAs.

VI. Financial Overview

7.1.3 Condensed Balance Sheet (Individual) – Based on IFRS

Unit: in thousand NT\$

Year Item		Financial Data for the Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Current Assets		11,790,373	9,159,173	11,474,768	13,315,428	17,009,128
Property, Plant and Equipment		3,709,471	3,758,640	4,023,217	3,655,402	3,442,868
Intangible Assets		-	-	-	-	23,800
Other Assets		45,574,301	53,214,496	60,971,973	66,748,944	74,090,028
Total Assets		61,074,145	66,132,309	76,469,958	83,719,774	94,565,824
Current Liabilities	Before Distribution	12,837,452	14,660,107	14,922,066	14,491,086	16,274,297
	After Distribution (Note 2)	19,391,602	21,214,257	22,568,575	23,776,132	27,197,881
Non-Current Liabilities		1,581,392	2,136,476	2,961,456	3,750,984	4,520,676
Total Liabilities	Before Distribution	14,418,844	16,796,583	17,883,522	18,242,070	20,794,973
	After Distribution (Note 2)	20,972,994	23,350,733	25,530,031	27,527,116	31,718,557
Share Capital		5,461,792	5,461,792	5,461,792	5,461,792	5,461,792
Capital Surplus		263,060	292,159	2,816,734	2,818,336	2,807,477
Retained Earnings	Before Distribution	40,236,347	43,713,877	49,094,707	55,264,500	62,252,639
	After Distribution (Note 2)	33,682,197	37,159,727	41,448,198	45,979,454	51,329,055
Other Equity Interest		694,102	(132,102)	1,213,203	1,933,076	3,248,943
Treasury Stock		-	-	-	-	-
Total Equity	Before Distribution	46,655,301	49,335,726	58,586,436	65,477,704	73,770,851
	After Distribution (Note 2)	40,101,151	42,781,576	50,939,927	56,192,658	62,847,267

VI. Financial Overview

Note 1: The financial data from 2017 to 2021 has been audited and certified by CPAs.

Note 2: The dividend decided by the board of directors meeting held on March 24, 2022 will be paid in cash and be reported during the annual shareholders meeting

VI. Financial Overview

7.1.4 Condensed Statement of Comprehensive Income (Individual) – Based on IFRS

Unit: in thousand NT\$

Item \ Year	Financial Data for The Last Five Years (Note 1)				
	2017	2018	2019	2020	2021
Operating Revenue	112,264,170	109,034,011	126,892,633	136,052,443	138,872,240
Gross Profit	9,753,770	9,571,323	10,737,805	12,096,532	12,713,663
Operating Profit	6,409,383	6,124,435	6,889,079	8,228,028	8,545,817
Non-Operating Income and Expenses	5,352,555	5,808,161	6,848,237	7,973,590	10,163,586
Profit Before Income Tax	11,761,938	11,932,596	13,737,316	16,201,618	18,709,403
Income Tax Expense	(1,646,331)	(1,907,061)	(1,968,501)	(2,352,748)	(2,498,645)
Profit for the Year	10,115,607	10,025,535	11,768,815	13,848,870	16,210,758
Other Comprehensive Income (Loss), Net	(12,398)	(820,059)	1,511,470	687,305	1,378,294
Total Comprehensive Income for the Year	10,103,209	9,205,476	13,280,285	14,536,175	17,589,052
Earnings Per Share (in New Taiwan dollars)	18.52	18.36	21.55	25.36	29.68

Note 1: The financial data from 2017 to 2021 has been audited and certified by CPAs.

VI. Financial Overview

7.1.5 Names and Opinions of Auditors for the Last Five Years

Year	CPA	Audit Opinion
2017	Hsiao, Chin-Mu Chou, Chien-Hung	Unqualified and Other Matter Paragraphs
2018	Hsiao, Chin-Mu Wang, Fang-Yu	Unqualified and Other Matter Paragraphs
2019	Hsiao, Chin-Mu Wang, Fang-Yu	Unqualified and Other Matter Paragraphs
2020	Wu, Yu-Lung Wang, Fang-Yu	Unqualified and Other Matter Paragraphs
2021	Wu, Yu-Lung Wang, Fang-Yu	Unqualified and Other Matter Paragraphs
2022 Q1	Wang, Fang-Yu Hsu, Sheng-Chung	Qualified Conclusion

VI. Financial Overview

7.2 Financial Analysis for the Last Five Years

7.2.1 Consolidated Financial Analysis – Based on IFRS

<div> <div></div> <div>Year</div> </div> <div>Item (Note)</div>		Financial Analysis for the Last Five Years					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt Ratio	73.44	74.61	70.41	71.12	72.98	75.59
	Ratio of Long-Term Capital to Property, Plant and Equipment	214.64	188.97	209.23	216.58	225.76	209.34
Solvency (%)	Current Ratio	109.13	103.96	108.00	108.56	109.20	105.32
	Quick Ratio	99.20	92.96	95.38	97.68	101.13	98.21
	Interest Earned Ratio (times)	362.21	223.71	118.02	187.83	203.02	222.33
Operating Performance	Accounts Receivable Turnover (times)	1.40	1.24	1.28	1.22	1.05	0.89
	Average Collection Period	261	294	285	299	348	410
	Inventory Turnover (times)	15.55	15.45	13.46	13.44	15.71	17.56
	Accounts Payable Turnover (times)	13.29	12.85	14.47	15.35	17.04	17.38
	Average Days' Sales in Inventory	23	24	27	27	23	21
	Property, Plant and Equipment Turnover (times)	4.50	4.12	4.13	4.13	3.97	3.61
	Total Assets Turnover (times)	0.80	0.73	0.75	0.71	0.64	0.55
Profitability	Return on Total Assets (%)	6.02	5.35	5.65	6.09	6.14	5.87
	Return On Equity (%)	21.93	20.51	20.30	20.73	21.93	22.76
	Pre-Tax Income to Paid-In Capital (%)	261.53	278.21	318.08	386.78	457.19	484.73
	Profit Ratio (%)	7.47	7.33	7.50	8.49	9.62	10.64
	Earnings Per Share (NT\$)	18.52	18.36	21.55	25.36	29.68	7.86
Cash Flow	Cash Flow Ratio (%)	15.21	5.78	10.31	7.39	(Note 1)	0.73
	Cash Flow Adequacy Ratio (%)	62.97	56.51	64.23	58.49	43.46	35.55
	Cash Reinvestment Ratio (%)	15.57	2.44	9.69	5.30	(Note 1)	1.45

VI. Financial Overview

Leverage	Operating Leverage	1.43	1.29	1.33	1.28	1.28	1.21
	Financial Leverage	1.00	1.00	1.01	1.01	1.00	1.00
Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)							
1. Cash flow adequacy ratio decreased by 26% mainly due to lower net cash flows from operating activities.							

Note 1: Not applicable as there were only net cash outflows from operating activities in 2021.

7.2.2 Individual Financial Analysis-Based on IFRS

Year Item(Note)		Financial Analysis for the Last Five Years					As of March 31, 2022
		2017	2018	2019	2020	2021	
Financial Structure (%)	Debt Ratio	23.61	25.40	23.39	21.79	21.99	N/A
	Ratio of Long-Term Capital to Property, Plant And Equipment	1300.37	1369.44	1529.82	1893.87	2274.02	
Solvency (%)	Current Ratio	91.84	62.48	76.90	91.89	104.52	
	Quick Ratio	65.70	24.55	25.94	40.62	75.67	
	Interest Earned Ratio (times)	489.03	275.49	308.03	704.32	891.25	
Operating Performance	Accounts Receivable Turnover (times)	50.81	39.89	51.28	86.00	94.65	
	Average Collection Period	7	9	7	4	4	
	Inventory Turnover (times)	23.29	23.28	18.42	17.38	22.02	
	Accounts Payable Turnover (times)	13.22	12.32	13.96	14.84	16.26	
	Average Days' Sales in Inventory	16	16	20	21	17	
	Property, Plant and Equipment Turnover (times)	30.22	29.20	32.61	35.44	39.13	
	Total Assets Turnover (times)	1.90	1.71	1.78	1.70	1.56	
	Return on Total Assets (%)	17.12	15.82	16.56	17.31	18.20	

VI. Financial Overview

	Return on Equity (%)	22.54	20.89	21.81	22.33	23.28
	Pre-Tax Income to Paid-In Capital (%)	215.35	218.47	251.52	296.64	342.55
	Profit Ratio (%)	9.01	9.19	9.27	10.18	11.67
	Earnings Per Share (NT\$)	18.52	18.36	21.55	25.36	29.68
Cash Flow	Cash Flow Ratio (%)	103.48	46.06	57.15	86.36	81.50
	Cash Flow Adequacy Ratio (%)	85.79	84.42	90.66	92.25	106.70
	Cash Reinvestment Ratio (%)	13.94	0.43	3.61	7.83	5.68
Leverage	Operating Leverage	1.21	1.22	1.21	1.21	1.24
	Financial Leverage	1.00	1.01	1.01	1.00	1.00

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Ratio of long-term capital to property, plant and equipment increased by 20% mainly due to increased total equity.
2. Quick ratio increased by 86% mainly attributable to higher current asset.
3. Interest earned ratio increased by 27% primarily due to higher profit before income tax.
4. Inventory turnover increased by 27% mainly as a result of lower inventory balance.
5. Average days' sales in inventory decreased by 21% primarily due to lower average inventory balance.
6. Cash reinvestment ratio decreased by 27% mainly attributable to increased long-term investments.

Note: The IFRS formulas for calculating the financial ratios are as follows:

1. Financial Structure

(1) Debt Ratio = total liabilities/total assets

(2) Ratio of Long-Term Capital to Property, Plant and Equipment = (total equity + non-current liabilities)/net property, plant and equipment

2. Solvency

(1) Current Ratio = current assets/current liabilities

(2) Quick Ratio = (current assets – inventory – prepaid expenses)/current liabilities

(3) Interest Earned Ratio = net income before tax and interest expenses/interest expenses

3. Operating Performance

(1) Accounts Receivable Turnover (including accounts receivable and notes receivable generated from business operations) = net sales/average balance of accounts receivable (including accounts receivable and notes receivable generated from business operations)

(2) Average Collection Period = 365/accounts receivable turnover

(3) Inventory Turnover = cost of goods sold/average inventory

VI. Financial Overview

(4) Accounts Payable Turnover (including accounts payable and notes payable generated from business operations) = $\text{cost of goods sold} / \text{average balance of accounts payable (including accounts payable and notes payable generated from business operations)}$

(5) Average days' sales in inventory = $365 / \text{inventory turnover}$

(6) Property, Plant and Equipment Turnover = $\text{net sales} / \text{average net property, plant and equipment}$

(7) Total Assets Turnover = $\text{net sales} / \text{average total assets}$

4. Profitability

(1) Return on Total Assets = $[\text{profit after tax} + \text{interest expenses} * (1 - \text{effective tax rate})] / \text{average total assets}$

(2) Return on Equity = $\text{profit after tax} / \text{average total equity}$

(3) Profit Ratio = $\text{profit after tax} / \text{net sales}$

(4) Earning Per Share = $(\text{equity attributable to shareholders of parent} - \text{preferred stock dividend}) / \text{weighted average of issued shares}$

5. Cash Flow

(1) Cash Flow Ratio = $\text{net cash flow from operating activities} / \text{current liabilities}$

(2) Cash Flow Adequacy Ratio = $(\text{net cash flow from operating activities for the last five years} / (\text{capital expenditure} + \text{increase in inventory} + \text{cash dividend})) \text{ for the last five years}$

(3) Cash Reinvestment Ratio = $(\text{net cash flow from operating activities} - \text{cash dividend}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$

6. Leverage:

(1) Operating Leverage = $(\text{net operating revenue} - \text{variable operating costs and expenses}) / \text{operating income}$

(2) Financial Leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$

VI. Financial Overview

7.3 The Audit Committee Report regarding the most recent annual financial report

Audit Committee Report

To: The 2022 Annual General Shareholders' Meeting of Hotai Motor Co., Ltd.

The Board of Directors has prepared and submitted to the Audit Committee the Company's 2021 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for the allocation of profits. The 2021 Financial Statements (including the Consolidated Financial Statements) were audited by CPAs Wang, Fang-Yu and Wu, Yu-Lung from PricewaterhouseCoopers Taiwan, who then issued an audit report based on their review.

We have reviewed the Company's 2021 Financial Statements (including the Consolidated Financial Statements), Business Report, and proposal for the allocation of profits and found the contents to be consistent with the information shared with us. We hereby present this report pursuant to Article 219 of the Company Act of the Republic of China.

Members of the Audit Committee

Shih, Hsien-Fu
Independent Director

Wu, Shih-Hao
Independent Director

Su, Chin-Huo
Independent Director

March 24, 2022

4. Consolidated financial statement and report of independent accounts

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2021, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.

Representative: Huang, Nan-Kuang
March 24, 2022

INDEPENDENT AUDITORS' REPORT
(TRANSLATED FROM CHINESE)

PWCR21000478

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

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated 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 the Other matter section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

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 Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

Evaluation of provision for impairment of accounts receivable in Hotai Finance Co., Ltd., the subsidiary

Description

Refer to Note 4(11) for accounting policies on allowance for uncollectible accounts receivable, Note 5(2)C for the critical accounting estimates and assumptions on the policies of allowance for uncollectible accounts receivable and Note 6(5) for the details of accounts receivable.

Hotai Finance Co., Ltd. ("Hotai Finance"), a subsidiary of Ho Tai Motor Co., Ltd., is primarily engaged in the installment sales and leases 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 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

Description

Refer to Note 4(30) for accounting policies on warranty liabilities provision, Note 5(2)B for the critical accounting estimates and assumptions on the policies of warranty liabilities provision and Note 6(23) for the details of accounting policies applied on warranty liabilities provision.

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.

How our audit addressed the matter

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 the subsidiary, Hotai Insurance Co., Ltd.

Description

Refer to Note 4(37) for accounting policies on claims reserve (including ceded), Note 5(2)D for the critical accounting estimates and assumptions on the policies of claims reserve (including ceded) and Note 6(9) for the details of accounting policies applied on claims reserve and ceded claims reserve.

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. ("Hotai Insurance"), the subsidiary of Ho Tai Motor Co., Ltd., is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department's historical claims development trend and experience.

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.

How our audit addressed the matter

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 accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, in so far as it relates to the amounts included in respect of these investees, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$6,351,398 thousand and NT\$6,215,314 thousand, constituting 1.82% and 2.14% of the consolidated total assets as at December 31, 2021 and 2020, respectively, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$442,368 thousand and NT\$444,268 thousand, constituting 2.12% and 2.57% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with an Other matter section on the parent company only financial statements of the Group as at and for the years ended December 31, 2021 and 2020.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Yu-Lung, Wu

Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
March 24, 2022

The accompanying consolidated 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 review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 25,813,580	7	\$ 18,525,991	6
1120	Financial assets at fair value through profit or loss-current	6(2)	7,759,202	2	5,813,451	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)	322,124	-	28,634	-
1190	Other financial assets-current	6(1) and 8	2,794,794	1	2,550,419	1
1195	Contract assets-current	6(28)	29,094	-	23,661	-
1201	Notes receivable	6(5), 7 and 8	10,731,037	3	8,753,542	3
1202	Accounts receivable	6(5), 7 and 8	179,803,972	52	141,876,380	49
1203	Other receivables	7	1,492,994	1	1,498,941	-
1270	Inventories	6(7)	10,014,885	3	11,856,153	4
1280	Prepayments	6(8)	8,431,594	2	8,268,462	3
1310	Reinsurance contract assets, net	6(9)	2,396,571	1	1,600,071	1
Total current assets			249,589,847	72	200,795,705	69
Non-current assets						
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,035,718	-	1,051,390	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	10,592,876	3	9,690,894	3
1470	Investments accounted for using the equity method	6(10)	17,336,071	5	16,328,527	6
1480	Other financial assets-non-current	6(1)	143,910	-	48,516	-
1500	Property, plant and equipment, net	6(11)	53,619,235	15	48,726,030	17
1595	Right-of-use assets, net	6(12)	3,436,960	1	3,085,225	1
1600	Investment property, net	6(14)	2,531,683	1	2,362,562	1
1700	Intangible assets, net	6(15)	1,297,739	-	1,211,245	-
1800	Deferred income tax assets, net	6(33)	1,975,833	1	1,805,728	1
1900	Other assets	6(5)(9)(16)	8,052,912	2	5,384,710	2
Total non-current assets			100,022,937	28	89,694,827	31
1XXX	Total Assets		\$ 349,612,784	100	\$ 290,490,532	100

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity			December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current Liabilities						
2110	Short-term loans	6(17)	\$ 66,766,240	19	\$ 48,292,510	17
2120	Short-term notes and bills payable	6(18)	104,861,342	30	84,021,875	29
2140	Financial liabilities at fair value through profit or loss-current	6(2)	27,780	-	62,171	-
2150	Derivative financial liabilities for hedging	6(4)	578,276	-	355,051	-
2165	Contract liabilities-current	6(28)	1,371,251	-	1,442,973	1
2201	Notes payable		783,316	-	698,070	-
2202	Accounts payable	7	8,794,001	3	10,710,299	4
2203	Accrued expenses	6(21) and 7	6,957,640	2	6,143,160	2
2204	Other payables	7	1,407,173	1	1,222,200	1
2250	Commissions payable	7	545,799	-	435,365	-
2260	Due to reinsurance and ceding companies		586,589	-	495,682	-
2270	Claims payable		41,741	-	19,543	-
2310	Current income tax liabilities		3,671,592	1	2,540,184	1
2320	Advance receipts		433,665	-	424,763	-
2330	Long-term liabilities-current portion	6(19)(20)	13,579,045	4	12,249,530	4
2335	Current lease liabilities	7	422,689	-	345,629	-
2350	Other current liabilities	6(9)(23)(24)	17,732,741	5	15,501,137	5
Total current liabilities			228,560,880	65	184,960,142	64
Non-current liabilities						
2550	Long-term loans	6(20)	4,736,583	2	3,136,165	1
2600	Provisions	6(9)(23)	8,221,857	2	6,851,105	2
2620	Guarantee deposits received	6(24)	8,102,944	2	6,973,746	2
2625	Non-current lease liabilities	7	1,702,444	1	1,422,072	1
2630	Deferred income tax liabilities	6(33)	3,822,039	1	3,261,852	1
2660	Other liabilities		72	-	108	-
Total non-current liabilities			26,585,939	8	21,645,048	7
2XXX	Total liabilities		255,146,819	73	206,605,190	71
Equity attributable to shareholders of the parent						
Share capital			6(25)			
3110	Common stock		5,461,792	1	5,461,792	2
Capital surplus			6(26)			
3200	Capital surplus		2,807,477	1	2,818,336	1
Retained earnings			6(27)			
3310	Legal reserve		13,925,963	4	12,544,333	4
3320	Special reserve		381,843	-	381,843	-
3330	Unappropriated earnings		47,944,833	14	42,338,324	15
Other equity						
3400	Other equity		3,248,943	1	1,933,076	1
31XX	Total equity attributable to shareholders of the parent		73,770,851	21	65,477,704	23
32XX	Non-controlling interest		20,695,114	6	18,407,638	6
3XXX	Total equity		94,465,965	27	83,885,342	29
Significant contingent liabilities and unrecognized contract commitments			9			
Significant events after balance sheet date			11			
Total liabilities and equity			\$ 349,612,784	100	\$ 290,490,532	100

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
Revenues					
4010 Interest income	6(3)(29) and 7	\$ 12,392,244	5	\$ 9,877,529	4
4020 Premiums revenue	6(30) and 7	8,540,632	4	7,212,199	3
4040 Reinsurance commission revenue		516,439	-	420,004	-
4050 Fee income		11,361	-	11,729	-
4060 Share of profit of associates and joint ventures accounted for using the equity method	6(10)	2,007,473	1	1,534,792	1
4090 Gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	1,044,814	-	751,225	-
4105 Realized gains (losses) on financial assets at fair value through other comprehensive income		368,838	-	352,582	-
4160 Net sales revenue	6(28) and 7				
4161 Sales revenue		208,609,408	85	201,137,183	87
4162 Sales returns	(	1,023,885)	-	(2,088,204)	(1)
4163 Sales discounts and allowances	(	4,319,525)	(2)	(4,199,838)	(2)
4170 Rental revenue		15,130,969	6	13,418,263	6
4180 Service revenue	6(28) and 7	1,986,692	1	1,954,009	1
4210 Gains on disposals of property, plant and equipment		20,069	-	30,753	-
4230 Income from investment property	6(14)	165,574	-	145,636	-
4260 Foreign exchange gains		586,123	-	446,473	-
4270 Other income		1,118,226	-	1,055,531	1
4256 Reversal gain on expected credit of investment and impairment loss		(11)	-	52	-
4245 Gains (losses) on using overlay approach of investment	6(2)	(216,514)	-	(251,016)	-
4280 Unrealized profit from sales		(66,381)	-	(44,478)	-
4290 Realized profit from sales		44,478	-	48,845	-
Total revenues		<u>246,917,024</u>	<u>100</u>	<u>231,813,269</u>	<u>100</u>
Expenses					
5010 Interest expense	7	(1,930,041)	(1)	(1,861,983)	(1)
5030 Underwriting expense		(610)	-	(468)	-
5040 Commission expense	7	(5,023,853)	(2)	(3,567,343)	(1)
5050 Claims payment	7	(3,909,800)	(2)	(3,598,890)	(1)
5070 Net changes in other insurance liabilities		(900,398)	-	(371,877)	-
5190 Cost of sales	6(7) and 7	(178,774,358)	(72)	(173,159,886)	(75)
5200 Cost of rental revenue		(12,460,045)	(5)	(10,934,202)	(5)
5210 Cost of services		(1,542,654)	(1)	(1,427,596)	(1)
5230 Operating expenses	6(31)(32) and 7				
5231 Selling expenses		(9,151,095)	(4)	(8,238,461)	(3)
5232 General and administrative expenses		(6,865,883)	(3)	(5,994,819)	(3)
5233 Research and development expenses		(110,888)	-	(95,228)	-
5287 Expected credit impairment loss of non-investment	12(5)	(1,138,349)	-	(1,370,992)	(1)
5270 Expenses and losses from investment property	6(14)	(34,485)	-	(23,862)	-
5320 Other expenses		(103,906)	-	(42,777)	-
Total expenses		<u>(221,946,365)</u>	<u>(90)</u>	<u>(210,688,384)</u>	<u>(91)</u>
6100 Income before income tax from continuing operation		24,970,659	10	21,124,885	9
6200 Income tax expense	6(33)	(5,412,569)	(2)	(4,589,675)	(2)
6500 Profit for the year		<u>\$ 19,558,090</u>	<u>8</u>	<u>\$ 16,535,210</u>	<u>7</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31,			
		2021		2020	
		Amount	%	Amount	%
Other comprehensive income (loss) for the period					
Components of other comprehensive income (loss) that may not be reclassified to profit or loss					
6617 Gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 1,210,657	-	\$ 246,004	-
6625 Share of other comprehensive income (expense) of associates and joint ventures accounted for using equity method that will not be reclassified to profit or loss		72,921	-	(21,263)	-
6610 Total components of other comprehensive income that may not be reclassified to profit or loss		1,283,578	-	224,741	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
6651 Financial statement translation differences of foreign operations		(79,964)	-	207,425	-
6659 Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(31,406)	-	23,636	-
6661 Loss on hedging instrument	6(4)	(89,303)	-	9,593	-
6675 Other comprehensive income (loss) reclassified by using overlay approach	6(2)	216,514	-	251,016	-
6665 Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income		12,780	-	16,522	-
6689 Income tax related to components of other comprehensive income	6(33)	21,839	-	(7,630)	-
Total components of other comprehensive income that will be reclassified to profit or loss		50,460	-	500,562	-
6600 Other comprehensive income for the year		\$ 1,334,038	-	\$ 725,303	-
6700 Total comprehensive income for the year		\$ 20,892,128	8	\$ 17,260,513	7
Profit attributable to:					
6810 Owners of parent		\$ 16,210,758	7	\$ 13,848,870	6
6820 Non-controlling interests		3,347,332	1	2,686,340	1
		\$ 19,558,090	8	\$ 16,535,210	7
Comprehensive income attributable to:					
6910 Owners of parent		\$ 17,589,052	7	\$ 14,536,175	6
6920 Non-controlling interests		3,303,076	1	2,724,338	1
		\$ 20,892,128	8	\$ 17,260,513	7
Earnings per share (in dollars)	6(34)				
Basic earnings per share		\$ 29.68		\$ 25.36	
Diluted earnings per share		\$ 29.66		\$ 25.34	

The accompanying notes are an integral part of these consolidated financial statements.

Equity attributable to shareholders of the parent												
Notes	Retained earnings			Other equity								
	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other compre- hensive income (loss) reclassified by using overlay approach	Gain (loss) on hedging instruments	Total	Non- controlling interests	Total equity
For the year ended December 31, 2020												
	\$ 5,461,792	\$ 2,816,734	\$ 11,350,835	\$ 381,843	\$ 37,362,029	\$ 687,128	\$ 1,791,411	\$ 102,052	\$ 6,868	\$ 58,586,436	\$ 17,022,191	\$ 75,608,627
Balance at January 1, 2020												
Profit for the year	-	-	-	-	13,848,870	-	-	-	-	13,848,870	2,686,340	16,535,210
Other comprehensive(loss) income for the year	-	-	-	-	(32,568)	190,842	277,689	247,833	3,509	687,305	37,998	725,303
Total comprehensive income	-	-	-	-	13,816,302	190,842	277,689	247,833	3,509	14,536,175	2,724,338	17,260,513
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,193,498	-	(1,193,498)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(7,646,509)	-	-	-	-	(7,646,509)	(1,499,480)	(9,145,989)
Changes in equity of associates and joint ventures accounted for using equity method	-	(1,056)	-	-	-	-	-	-	-	(1,056)	-	(1,056)
Changes in ownership interests in subsidiaries	-	2,658	-	-	-	-	-	-	-	2,658	(2,658)	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	163,247	163,247
Balance at December 31, 2020	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	\$ 496,286	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342
For the year ended December 31, 2021												
Balance at January 1, 2021	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	\$ 496,286	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342
Profit for the year	-	-	-	-	16,210,758	-	-	-	-	16,210,758	3,347,332	19,558,090
Other comprehensive (loss) income for the year	-	-	-	-	62,427	(59,837)	1,196,005	213,896	(34,197)	1,378,294	(44,256)	1,334,038
Total comprehensive income (loss)	-	-	-	-	16,273,185	(59,837)	1,196,005	213,896	(34,197)	17,589,052	3,303,076	20,892,128
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,381,630	-	(1,381,630)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(9,285,046)	-	-	-	-	(9,285,046)	(1,630,738)	(10,935,784)
Changes in equity of associates and joint ventures accounted for using equity method	-	(721)	-	-	-	-	-	-	-	(721)	-	(721)
Changes in ownership interests in subsidiaries	-	7,116	-	-	-	-	-	-	-	7,116	(7,116)	-
Reorganisation	-	(17,254)	-	-	-	-	-	-	-	(17,254)	17,254	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	625,000	625,000
Balance at December 31, 2021	\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	\$ 556,123	\$ 3,265,105	\$ 563,781	\$ 23,820	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2021	2020
Cash flows from operating activities			
Consolidated profit before income tax		\$ 24,970,659	\$ 21,124,885
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets and liabilities at fair value through profit or loss	6(2)	(1,044,814)	(751,225)
Excepted credit loss and financial guarantee expense		45,410	97,257
Expected credit impairment loss (gain on reversal) of investment		11	(52)
Expected credit impairment loss of non-investment		1,138,349	1,370,992
Profit or loss reclassified by applying overlay approach		216,514	251,016
Depreciation	6(11)(12)(14)		
	(31)	10,628,663	9,588,070
Amortization	6(31)	124,275	83,914
Impairment loss of rental assets	6(11)	10,521	199,143
Profit from lease modification	6(12)	(2,133)	(171)
Net gain on disposal of property, plant and equipment		(20,069)	(30,753)
Share of profit of associates accounted for using the equity method	6(10)	(2,007,473)	(1,534,792)
Interest expense		1,930,041	1,861,983
Interest income	6(29)	(12,392,244)	(9,877,529)
Dividend income		(369,313)	(350,377)
Unrealized profit from sales		66,381	44,478
Realized profit from sales		(44,478)	(48,845)
Exchange gain (loss)		(37,796)	(94,226)
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		(885,265)	(434,496)
Contract assets		(5,433)	(4,018)
Notes and accounts receivable		(41,088,846)	(20,442,007)
Other receivables		(20,163)	(617,595)
Inventories		7,028,067	6,206,664
Prepayments		(142,430)	(1,118,539)
Reinsurance contract assets		(970,115)	(361,653)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(34,391)	(87,401)
Contract liabilities		(71,722)	240,215
Notes and accounts payable		(1,831,052)	252,841
Accrued expenses		801,070	1,125,003
Other payables		184,973	(279,172)
Commission payable		110,434	(5,624)
Due to reinsurance and ceding companies		90,907	17,523
Claims payable		22,198	7,312
Advance receipts		8,902	191,494
Other current liabilities		1,693,350	1,281,875
Provisions		1,370,752	894,794
Other liabilities		(36)	(23,137)
Cash (outflow) inflow generated from operations		(10,526,296)	8,777,847
Cash dividends received		1,414,582	1,002,547
Income tax paid		(3,869,239)	(4,183,161)
Interest received		12,418,354	9,878,104
Interest paid		(1,937,333)	(1,894,127)
Net cash (used in) provided by operating activities		(2,499,932)	13,581,210

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	Years ended December 31,	
		2021	2020
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		(\$ 16,232)	(\$ 2,809)
Increase in other financial assets		(339,769)	(708,820)
Acquisition of investments accounted for using the equity method	6(10)	-	(328,503)
Acquisition of property, plant and equipment	6(11)	(20,975,415)	(18,086,828)
Proceeds from disposal of property, plant and equipment		455,604	356,215
Acquisition of right-of-use assets		-	(974,938)
Acquisition of intangible assets	6(15)	(174,791)	(48,286)
Increase in other assets		(2,035,778)	(607,867)
Acquisition of investment properties	6(14)	(227,805)	(22,368)
Net cash used in investing activities		(23,314,186)	(20,424,204)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(19)	5,200,000	7,000,000
Repayment of bonds	6(36)	(2,400,000)	-
Increase in short-term loans	6(36)	18,643,001	(12,469,401)
Increase in short-term notes and bills payable	6(36)	20,839,467	30,286,399
Proceeds from long-term loans	6(36)	3,134,051	2,649,435
Repayments of long-term loans	6(36)	(3,001,727)	(5,380,000)
Repayment of principal portion of lease liability	6(12)	(627,468)	(487,892)
Increase in guarantee deposits received	6(36)	1,667,452	586,394
Cash dividends paid	6(27)	(9,285,046)	(7,646,509)
Cash dividends paid from subsidiaries to non-controlling interests		(1,650,738)	(1,499,480)
Change in non-controlling interests		625,000	163,247
Net cash provided by financing activities		33,143,992	13,202,193
Net effect of changes in foreign currency exchange rates		(42,285)	143,053
Increase in cash and cash equivalents		7,287,589	6,502,252
Cash and cash equivalents at beginning of year		18,525,991	12,023,739
Cash and cash equivalents at end of year		\$ 25,813,580	\$ 18,525,991

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. History and Organization

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.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles, and sales of used vehicles and business of property insurance.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2022.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

(3) 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:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
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
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also

issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall disaggregate a portfolio into three groups of contracts at initial recognition: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to separately present insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance" International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated 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.
 - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
 - (d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group 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. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(f) The consolidated financial statements are prepared based on the valuation and disclosures of the entities' financial statements audited by the independent auditors.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)		
			December 31, 2021	December 31, 2020	Note
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100	100	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100	100	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100	100	Note 7
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51	51	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20	20	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	100	100	Note 10
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50	-	Note 1, 16
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70	70	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100	100	
Tienjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75	75	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100	100	

Investor	Investee	Main business activities	Ownership (%)		
			December 31, 2021	December 31, 2020	Note
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., LTD.	Sales and repairing of vehicles	70	70	Note 4
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70	70	Note 9
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100	100	Note 9
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25	25	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20	Note 1, 15
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100	100	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20	Note 1, 15
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100	100	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd.	Leasing business	40	-	Note 1, 20
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	20	Note 1, 15
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd.	Leasing business	30	-	Note 1, 20
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd.	Leasing business	30	-	Note 1, 20
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.8	99.8	
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co., Ltd.	Retail and wholesale of collections	-	100	Note 21
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.1	60	Note 1, 6, 17
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.4	40	Note 1, 6, 17
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	Taxi service	100	100	Note 12
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	Taxi service	100	100	Note 12
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.5	50.5	

Investor	Investee	Main business activities	Ownership (%)		
			December 31, 2021	December 31, 2020	Note
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.5	49.5	Note 1
Hotai Leasing Co., Ltd.	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	-	49.18	Note 3, 13
Hotai Finance Co., Ltd.	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	50.82	50.82	Note 3
Hotai Connected Co., Ltd.	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	49.18	-	Note 1, 13
Hotai Finance Co., Ltd.	HE JING CO., LTD.	Installment trading of various vehicles	81	-	Note 20
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100	100	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100	100	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	100	-	Note 18
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100	100	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100	100	Note 7
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100	100	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100	100	Note 5
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51	51	Note 8
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	100	Note 8, 22
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100	100	Note 8
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	Freight forwarders	-	100	Note 8, 22
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	100	Note 8, 22
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100	100	Note 8
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100	100	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100	100	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100	100	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100	100	
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	Wholesale and retail of vehicles parts and accessories	100	100	Note 11
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	-	Note 1, 17
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	20	-	Note 1, 16
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Sales of vehicle bodies	100	-	Note 19

- Note 1: The Group holds more than 50% shareholding in the subsidiary.
- Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.
- Note 3: On March 9, 2020, the Board of Directors of the Company's 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 and its shareholding ratio increased to 50.82%.
- Note 4: In February 2020, Hotong Motor Investment Co., Ltd. invested RMB 7 million to establish Nanjing HoZhan Motor Sales and Service Co., Ltd. and acquired a shareholding of 70%.
- Note 5: The investee was newly established in the first quarter of 2020.
- Note 6: The investee was newly established in the second quarter of 2020. In August 2020, Hotai Mobility Service Co. 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%.
- Note 7: In order to expand new business, Toyota Material Handling Taiwan Ltd. was renamed as Toyota Material Handling Taiwan Ltd. on August 24, 2020.
- Note 8: In July 2020, the Company's subsidiary, Ho Tai Development Co., Ltd. participated in the capital increase of 3A Express Co., Ltd. amounting to \$51 million. The shareholding ratio was 51%, and the Company acquired the investee's wholly-owned subsidiary.
- Note 9: The investee was acquired in the fourth quarter of 2020.
- Note 10: On December 24, 2020, the shareholders of the Company's 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.
- Note 11: On December 4, 2020, the Company's subsidiary, Eastern Motor Co., Ltd., invested \$500 thousand to establish DALEON AUTO PARTS AND ACCESSORIES CORPORATION and acquired a shareholding of 100%.
- Note 12: The Company's subsidiary, Hotai Mobility Service Co., Ltd., acquired 100% shareholding of ChyuanAn Transport Co.,Ltd. and YuCheng Transport Co.,Ltd. amounting to \$9,750 thousand and \$39,230 thousand on November 13, 2020 and December 25, 2020, respectively.
- Note 13: On January 21, 2021, the Company increased investment in Hotai Connected Co., Ltd. in the amount of \$300,000 and acquired 30,000,00 shares.
- Note 14: On January 28, 2021, the Company's subsidiary, Hotai Leasing Co., Ltd., disposed of all its shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. for \$360,000; as a result, its shareholding ratio decreased to 0%. However, Hotai Connected Co., Ltd. increased its shareholding ratio to 49.18%.
- Note 15: On March 5, 2021, the Company's subsidiaries, Shanghai Hoyu Motor Service Co.,

Ltd., Shanghai Heling Motor Service Co., Ltd. and Shanghai Hozhan Motor Service Co., each invested RMB 400 thousand to participate in the capital increase of Shanghai Hede Used Vehicle Co., Ltd., which was not in proportion to its interests; as a result, each subsidiary increased its shareholding ratio to 23.81%.

Note 16: On March 30, 2021, the Company and its subsidiary, Chang Yuan Motor Co., Ltd., invested \$500,000 and \$200,000, respectively, to participate in the capital increase of Ho Xing International Automobile Co., Ltd.; as a result, their shareholding ratios increased to 50% and 20%, respectively. The investee was renamed as Hotai AutoBody Manufacturing Co., Ltd. on April 29, 2021.

Note 17: On April 29, 2021, the Company's subsidiary, Eastern Motor Co., Ltd. participated in the capital increase of Hotai Mobility Service Co., Ltd. amounting to \$3 million. The shareholding ratio was 0.68%. As subsidiaries, Hotai Connected Co., Ltd. and Hotai Finance Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Mobility Service Co., Ltd. decreased to 41.10% and 27.40% from 60% and 40%, respectively.

Note 18: The subsidiary was established in the first quarter of 2021.

Note 19: The subsidiary was established in the third quarter of 2021.

Note 20: The subsidiary was established in the fourth quarter of 2021.

Note 21: The Board of Directors of subsidiaries, Hotai Innovation Marketing Corporation and Hotai Connected Co., Ltd., resolved to merge. The effective date was set on December 31, 2021. After the merger, Hotai Connected Co., Ltd. was the surviving company while Hotai Innovation Marketing Corporation was the dissolved company.

Note 22: It had been liquidated and dissolved in the fourth quarter of 2021.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of December 2021 and 2020, the non-controlling interest amounted to \$20,695,114, \$18,407,638, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2021		December 31, 2020	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 12,426,650	54.610%	\$ 11,738,080	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,633,775	33.958%	1,441,048	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 188,826,138	\$ 149,837,686
Non-current assets	12,733,058	9,160,867
Current liabilities	(175,220,568)	(134,771,199)
Non-current liabilities	(844,949)	(564,504)
Total net assets	<u>\$ 25,493,679</u>	<u>\$ 23,662,850</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current assets	\$ 3,779,647	\$ 3,228,994
Non-current assets	35,248,653	32,341,288
Current liabilities	(20,278,660)	(20,364,628)
Non-current liabilities	(13,938,476)	(10,962,034)
Total net assets	<u>\$ 4,811,164</u>	<u>\$ 4,243,620</u>

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 17,957,948	\$ 14,665,572
Profit before income tax	4,663,609	3,634,596
Income tax expense	(1,133,417)	(842,116)
Profit for the period	<u>3,530,192</u>	<u>2,792,480</u>
Other comprehensive (loss) income for the period, net of tax	(90,494)	72,606
Total comprehensive income for the year	<u>\$ 3,439,698</u>	<u>\$ 2,865,086</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 1,670,932</u>	<u>\$ 1,434,271</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Revenue	\$ 17,935,280	\$ 16,582,155
Profit before income tax	1,282,509	1,021,172
Income tax expense	(288,682)	(233,161)
Profit for the period	<u>993,827</u>	<u>788,011</u>
Other comprehensive (loss) income for the period, net of tax	(8,560)	31,900
Total comprehensive income for the year	<u>\$ 985,267</u>	<u>\$ 819,911</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 334,577</u>	<u>\$ 278,425</u>

Statements of cash flows

		Hotai Finance Co., Ltd.	
		Years ended December 31,	
		2021	2020
Net cash used in operating activities	(\$	34,518,927)	(\$ 17,433,203)
Net cash used in investing activities	(	3,470,781)	(2,046,113)
Net cash provided by financing activities		38,673,525	19,452,625
Net effect of changes in foreign currency exchange rates	(	15,664)	43,202
Increase in cash and cash equivalents		668,153	16,511
Cash and cash equivalents, beginning of year		390,420	373,909
Cash and cash equivalents, end of year	\$	1,058,573	\$ 390,420

		Hotai Leasing Co., Ltd.	
		Years ended December 31,	
		2021	2020
Net cash provided by operating activities	\$	13,706,492	\$ 12,966,819
Net cash used in investing activities	(	15,757,326)	(14,757,259)
Net cash provided by financing activities		2,073,548	1,687,058
Increase (decrease) in cash and cash equivalents		22,714	(103,382)
Cash and cash equivalents, beginning of year		86,941	190,323
Cash and cash equivalents, end of year	\$	109,655	\$ 86,941

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- 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, except when deferred in other comprehensive income as qualifying cash flow hedges.
- 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.
- 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 are presented in the statement of comprehensive income within “foreign exchange gains or losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

Consolidated subsidiaries are engaged in installment sales, and the operating cycle usually exceeds 1 year. The consolidated subsidiaries use the operating cycle as its criterion for classifying current or non-current assets and liabilities related to installment sales. For other assets and liabilities, the criteria are as follows:

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.

(6) 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 and short-term notes and bills that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) 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. The Group's subsidiary, Hotai Insurance Co., Ltd., could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:
- (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- 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 Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.
- D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- E. Subsidiary, Hotai Insurance Co., Ltd., reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:
- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach; and
 - (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

(8) 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 Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- 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 Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) 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 Group and the amount of the dividend can be measured reliably.

- (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group 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.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

- A. For financial assets at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Group 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 Group recognizes the impairment provision for lifetime ECLs.

- B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:

- (a) Financial assets at fair value through other comprehensive income

Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.

- (b) Financial assets at amortized cost

Decrease its carrying amount through an allowance account. When financial assets at amortized cost are assessed as no longer recoverable, write-off the allowance accounts. For proceeds that were previously written-off and subsequently recovered, credit the allowance account. Except for financial assets at amortized cost that are assessed as no longer recoverable and written-off allowance accounts, the carrying amount of allowance accounts are recognized in profit or loss.

(12) Loss allowance of the subsidiary, Hotai Insurance Co., Ltd.

The Group's subsidiary, Hotai Insurance Co., Ltd., provisioned for an appropriate allowance loss under IFRS 9 and IFRS 4 for receivables, financial assets measured at amortized cost and reinsurance contract assets.

(13) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

(14) Leasing arrangements (lessor) - lease receivables/operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
 - (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.
 - (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
 - (c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. 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.

(15) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. 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.

(16) Investments accounted for using the equity method/associates

- A. Associates are all entities over which the Group 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.
- B. The Group'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 Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. 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 Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate

in 'capital surplus' in proportion to its ownership.

- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group'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 Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group'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 Group'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.
- F. When the Group 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.

(17) 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 Group 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	5 ~ 10 years
Office equipment	1 ~ 20 years
Machinery and equipment	1 ~ 15 years
Leasehold improvements	1 ~ 35 years

(18) 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 Group. 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 or the interest rate implicit in the lease. Lease payments are fixed payments, less any lease incentives receivable.

The Group 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.

(19) Investment property

- A. An investment property is stated initially at its cost and measured subsequently using the cost model.
- B. The significant improvements, additions and betterments of an item of investment property shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.
- C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 2~60 years. Each part of

an item of investment property with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. 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 under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

- D. Investment property of the Group's subsidiary-Hotai Insurance Co., Ltd. including the office building and land rented in the form of an operating lease are to generate rental income or capital increase or both. Investment property is recognized initially at cost plus transaction costs incurred and subsequently applies cost model measuring at cost net of accumulated depreciation and impairment. Part of the property may be held by the Group and another part generates rental income or capital increase. If the property held by the Group can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

(20) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 3~7 years.

B. Goodwill

Goodwill arises from business combination accounted for using the acquisition method. Goodwill acquired in business combination shall be tested for impairment at least once a year. Impairment loss is recognized when the goodwill is impaired. Impairment loss of goodwill that has been recognized shall not be reversed.

C. Client relationship

Arising from business combination, and amortized on a straight-line basis over 30 years.

D. Trademark right

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(21) Impairment of non-financial assets

- A. The Group 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.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(22) 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.

(23) 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.

(24) 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 Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(25) 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.

(26) Ordinary corporate bonds

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

(27) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(28) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(29) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

- B. The Group designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

- C. Cash flow hedges

- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

- i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
- ii. The cumulative change in fair value of the hedged item from inception of the hedge.

- (b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.

- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash

flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

- ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
 - iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- (d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(30) Provisions

Provisions (provision for warranties) are recognized when the Group 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. For details of provisions for other insurance liabilities, please refer to Note 4(37).

(31) 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. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating

restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. 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.

(32) Classification of insurance contracts

The insurance and reinsurance businesses of the subsidiary, Hotai Insurance Co., Ltd. for insurance contracts newly issued or undertaken are accounted for in accordance with IFRS 4. They are tested in accordance with the subsidiary's internal control procedures to classify newly issued insurance products. Currently, insurance policies sold by Hotai Insurance Co., Ltd. are all insurance contracts.

Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by Hotai Insurance Co., Ltd. refers to an occurrence of any event or incident that leads to Hotai Insurance Co., Ltd.'s additional significant payment.

(33) Direct insurance income and expenses

A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.

B. Claims are accrued after the claim letters are received.

C. Commission expenses are accrued after the policies are issued.

(34) Reinsurance contract

Reinsurance premiums ceded and reinsurance premiums are recognized on the date the bills are received. A sufficient and reasonable method should be adopted to estimate reinsurance premiums ceded. Relevant revenues and expenses (such as reinsurance commission expenses and revenues, handling fee expenses and revenues, reinsurance claims recovery, etc.) shall all be recognized.

With the classification of reinsurance contracts, Hotai Insurance Co., Ltd. assesses whether significant insurance risk transferred to the reinsurer. If the significant insurance risks of reinsurance contracts are not transferred to reinsurer, the subsidiary should treat reinsurance contracts as deposit accounting.

Hotai Insurance Co., Ltd. evaluates the impairment losses and unrecoverable amounts of reinsurance reserve assets, claims recoverable from reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer, the cedant reduces the carrying amount accordingly and recognizes the provision for impairment loss. Allowance for doubtful debts of recoverable from the reinsurers, due from reinsurers and ceding

companies and funds held by other insurance companies is recognized when the cedant may not receive all amounts.

(35) Salvage and subrogation

Salvage legally assumed from the claim procedure by direct underwriting business and subrogation legally acquired for the rights of the subject matter and relevant claims expenses are recognized when the actual recovery is definite and the amount can be reliably measured.

(36) Underwriting pools and coinsurance

Hotai Insurance Co., Ltd. has participated in the coinsurance of compulsory automobile liability insurance, residential earthquake fund, engineering insurance association, injury insurance for acts of terrorism co-insurance organizations and Nuclear Energy Insurance Federation of the Republic of China. The Company recognizes coinsurance premiums based on its participation share.

(37) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, “Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance”, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Notes for Strengthening Reserve of Pool Members Residential Earthquake”, “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises” and “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

Except for the reserves for one-year group accident insurance which is provided based on the higher of actual insurance premium or insurance premium calculated in accordance with the Letter No. Tai-Cai-Bao-Zi-852367814, the provision for other insurance liabilities is based on the following:

A. Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period based on unexpired risks of effective and unexpired contracts or covered risks.

B. Claims reserve

Claims reserve with a coverage period are provided based on claim experience and expenses of various insurance types and are calculated based on actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

C. Special reserve

Special reserves includes “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, nuclear insurance, residential earthquake insurance and commercial earthquake and typhoon flood insurance which are covered by other regulations requiring reserves for them to be recognized under liability, the additional provision for special

reserve less income tax should be recognized as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

D. Premium deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount is recognized as premium deficiency reserve by product types.

E. Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute of the Republic of China, the subsidiary's liability adequacy test is performed using the gross premium valuation method based on all contracts of the subsidiary. At the end of each reporting period, the test is performed by comparing the carrying amount of insurance liabilities less related deferred acquisition costs and related intangible assets with current estimates of future cash flows under its insurance contracts. If the carrying amount is insufficient, the provision for liability adequacy reserve for the entire deficiency is recognized in profit or loss in the period.

F. Unqualified ceded reserve

Unqualified reinsurance ceded reserve under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", should be disclosed in financial statements.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(38) 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 and its subsidiaries operate and generate 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 consolidated 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 Group 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. 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.

(39) 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.

(40) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(41) Revenue recognition

A. Sales of goods

- (a) The Group sells vehicles 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 Group 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 Group'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.

- (e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- (f) Installment sales for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in installment sales which mainly aims to receive interest income rather than gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period.

B. Service revenue

The Group provides services related to vehicles and air conditioners for vehicles. Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

C. Recognition of premium revenue and deferred acquisition cost of the insurance business of Hotai Insurance Co., Ltd. were as follows:

- (a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(33) and (34).
- (b) Commission revenue is recognized on the accrual basis of the service period.

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or one operating period. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(42) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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 Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns refund liabilities for sales returns 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 Group reassesses the reasonableness of estimates of discounts and returns periodically. Please refer to Note 6(28) for the information of sales of goods.

B. Provisions for warranty

In order to enhance customers' confidence on the quality of products, 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(23) "Provisions" for more information.

C. Evaluation of allowance for uncollectible accounts

The subsidiary, Hotai Finance Co., Ltd., provides loss allowance for uncollectible accounts based on the forecast factors such as past due days and future economic conditions to assess the default possibility of accounts receivable. The subsidiary recognizes loss allowance individually after the management assesses the customers' financial condition or payment situation which indicate that the accounts receivable may not be recovered. Given the evaluation process involves estimates and predictions of the past events, current conditions and future overall economic situation, changes might arise due to the difference between the actual results and estimates. Please refer to Note 6(5) for the information of evaluation of allowance for uncollectible accounts.

D. Insurance liabilities

The estimates and significant assumptions of Hotai Insurance Co., Ltd.'s insurance contracts are used for claim reserve liabilities and claim reserve assets ceded.

The claim reserve liabilities are estimated through adoption of internationally accepted actuarial methods, nature or location of insurance risks, claim payment development module, experience data, and etc., which resulted in a reasonable ultimate claims paid amount and expected loss ratio. The calculation for reported but not paid claims are based on the experience of claim handling experts by each case and the remaining shall be incurred but not reported reserve.

For claim reserve assets ceded, the amounts recoverable from reinsurers for reported but not paid claims are estimated by each insurance case, and the amounts recoverable from reinsurers for incurred but not reported claims are estimated based on the difference between the reserve

for incurred but not reported claims and the reserve for incurred but not reported claims for retention business.

Hotai Insurance Co., Ltd.'s significant assumptions for claims reserve include:

- (a) Loss development factors: properly chosen loss development factors based on experience over the past few years.
- (b) Expected loss ratio for each insurance line of business and accident year: the expected loss ratio is selected based on the historical loss trends of each insurance line of business and accident years.

The abovementioned assumptions exclude earthquake insurances, compulsory automobile insurances and nuclear insurances, while their reserves are provided in accordance with the regulatory requirements.

Analysis of insurance risk sensitivity is provided in Note 12(6) B.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and revolving funds	\$ 15,980	\$ 15,510
Checking accounts and demand deposits	12,272,486	9,314,635
Cash equivalents		
Time deposits	1,944,899	775,298
Short-term notes and bills	<u>11,580,215</u>	<u>8,420,548</u>
	<u>\$ 25,813,580</u>	<u>\$ 18,525,991</u>

- A. The Group 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.
- B. As of December 31, 2021 and 2020, the Group presented its long-term time deposits of \$1,828,223 and \$1,710,579, respectively, under other financial assets-current and non-current.
- C. Of the short-term notes held by the Company's subsidiary, Hotai Insurance Co., Ltd., investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6).

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss		
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Domestic and foreign beneficiary certificates	\$ 2,947,462	\$ 3,235,836
Derivative instruments	12,587	14,119
Financial instruments	683,213	695,943
Listed stocks	1,810,312	390,283
Listed preference share	59,980	59,980
Exchange Traded Funds	1,598,055	1,016,921
Valuation adjustment	<u>647,593</u>	<u>400,369</u>
	<u>\$ 7,759,202</u>	<u>\$ 5,813,451</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss

Corporate bonds	<u>\$ 1,035,718</u>	<u>\$ 1,051,390</u>
-----------------	---------------------	---------------------

Financial liabilities at fair value through profit or loss

Current items:

Financial liabilities held for trading

Derivative instruments	<u>\$ 27,780</u>	<u>\$ 62,171</u>
------------------------	------------------	------------------

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

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 45,454	\$ 132,472
Domestic and foreign beneficiary certificates	88,894	189,715
Listed stocks	668,521	171,637
Listed preference share	906 (	2,933)
Exchange Traded Funds	222,211	174,444
Corporate bonds	<u>18,828</u>	<u>85,890</u>
	<u>\$ 1,044,814</u>	<u>\$ 751,225</u>

- B. The Group entered into contracts relating to derivative instruments which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative instruments</u>	<u>December 31, 2021</u>	
	Contract amount (Notional principal)	<u>Contract period</u>
	<u>(in thousands)</u>	
Current items:		
Forward foreign exchange contracts	USD 421,750	2021.08.25~2022.04.14
Foreign exchange swap contracts	USD 25,010	2021.10.04~2022.03.31

<u>Derivative instruments</u>	<u>December 31, 2020</u>	
	Contract amount (Notional principal)	<u>Contract period</u>
	<u>(in thousands)</u>	
Current items:		
Forward foreign exchange contracts	USD 383,750	2020.09.23~2021.04.14
Foreign exchange swap contracts	USD 24,000	2020.10.14~2021.03.31

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds and foreign investments. In addition, Hotai Insurance Co., Ltd. entered into foreign exchange swap contracts to hedge exchange rate risk of foreign investments. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting.

- C. The Group 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)C.
- E. On December 31, 2021 and 2020, such financial assets designated using overlay approach are as follows:

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Financial assets at fair value through profit or loss designated using overlay approach		
Listed stocks	\$ 1,445,876	\$ 294,881
Listed preference shares	59,980	59,980
Exchange Traded Funds	1,598,055	1,016,921
Domestic and foreign beneficiary certificates	1,586,245	1,643,266
Corporate bonds	500,000	500,000
Valuation adjustment	636,213	419,699
	<u>\$ 5,826,369</u>	<u>\$ 3,934,747</u>

For the years ended December 31, 2021 and 2020, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	Years ended December 31,	
	2021	2020
Gains recognized in profit or loss under IFRS 9	\$ 1,059,371	\$ 667,482
Less: Gains recognized in profit or loss under IAS 39	842,857	416,466
Loss reclassified under overlay approach	\$ 216,514	\$ 251,016
Effect from change in tax	\$ 2,195	\$ 2,694

F. In accordance with IFRS 12 'Disclosure of interests in other entities', information on equity of the structured entities which were not controlled by the Group is as follows:

(a)

Type of structured entities	Book value at December 31, 2021	Book value at December 31, 2020	Description
Infrastructure fund	\$ 330,683	\$ 316,514	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.
Real estate private placement fund	\$ 106,812	\$ 67,029	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

(b) The intention of the Group for holding these structured entities is for earning investment income.

(c) The Group recognized equity of the structured entities which were not consolidated into the financial statements under financial assets at fair value through profit or loss. The maximum exposed risk of such entities is the carrying amount of held assets, and the related risk exposure of the investment position is restricted by contract terms and issuance terms. Please refer to Note 12 for more information.

(Remainder of page intentionally left blank)

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current items:		
Debt instrument		
Financial bonds	\$ 200,418	\$ -
Foreign financial bonds	119,319	28,137
Valuation adjustment (including loss allowance)	<u>2,387</u>	<u>497</u>
	<u>\$ 322,124</u>	<u>\$ 28,634</u>
Non-current items:		
Debt instrument		
Government bonds	\$ 363,789	\$ 368,658
Corporate bonds	302,895	305,076
Financial bonds	304,846	506,990
Foreign corporate and financial bonds	<u>594,669</u>	<u>660,552</u>
	1,566,199	1,841,276
Valuation adjustment (including loss allowance)	27,466	60,780
Less: Operation bonds	(300,300)	(300,300)
	<u>1,293,365</u>	<u>1,601,756</u>
Equity instruments		
Listed stocks and unlisted stocks	6,440,249	6,440,861
Valuation adjustment	<u>2,859,262</u>	<u>1,648,277</u>
	<u>9,299,511</u>	<u>8,089,138</u>
	<u>\$ 10,592,876</u>	<u>\$ 9,690,894</u>

A. The Group 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 \$9,299,511 and \$8,089,138, respectively, as at December 31, 2021 and 2020.

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:

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 31,900)	\$ 25,910
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	19	(68)
Reclassified due to derecognition	<u>475</u>	<u>(2,206)</u>
	<u>(\$ 31,406)</u>	<u>\$ 23,636</u>
Interest income recognized in profit or loss	<u>\$ 35,024</u>	<u>\$ 36,170</u>

Items	Years ended December 31,	
	2021	2020
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 1,210,657	\$ 246,004

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of December 31, 2021, government bonds with par value of \$300,300 were deposited.

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

(4) Hedging financial assets and liabilities

	December 31, 2021		December 31, 2020	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges				
<u>Exchange rate risk and interest rate risk</u>				
Cross currency swaps	\$ -	(\$ 578,276)	\$ -	(\$ 355,051)

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group's USD and JPY denominated borrowings are exposed to the impact of variable exchange rate and interest rates, the Group uses cross currency swap to control the exchange rate risk and interest rates under their acceptable range.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

	December 31, 2021				Year ended December 31, 2021			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and interest rate risk</u>								
Cross currency swaps transactions	JPY33,800,000	2020/8/5~2024/9/9	\$ -	(\$ 578,276)	-	0.25~0.28	0.83~1.08	\$ -

	December 31, 2021
	Valuation on liabilities' carrying amount due to fair value hedges
<u>Liabilities carrying amount</u>	

Hedged items

Cash flow hedges

Exchange rates risk and interest rate risk

Short-term borrowings	\$ 8,635,200	(\$ 512,680)
-----------------------	--------------	--------------

	December 31, 2020				Year ended December 31, 2020			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and</u>								
<u>Interest rate risk</u>								
Cross currency swaps transactions	USD 18,000	2019/1/7 ~2021/6/18	\$ - (\$ 30,938)	\$ - (\$ 30,938)	\$ -	6.87	4.35	\$ -
	USD 165,000	2018/4/16 ~2021/9/17	- (303,224)	- (303,224)	-	29.20~30.77	0.92~1.18	-
	JPY 3,800,000	2020/8/5 ~2023/8/7	- (20,889)	- (20,889)	-	0.28	1.08	-

	December 31, 2020	
	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items		
Cash flow hedges		
<u>Exchange rates risk and interest rate risk</u>		
Short-term borrowings	\$ 6,575,433	(\$ 376,992)

C. Cash flow hedges

	Years ended December 31,	
	2021	2020
<u>Cash flow hedge reserve</u>		
At January 1	\$ 16,894	\$ 9,376
Less: Losses on hedge effectiveness-amount recognized in other comprehensive income	(81,209)	(38,926)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	(6,399)	48,519
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	18,238	(2,075)
At December 31	(\$ 52,476)	\$ 16,894

To hedge exposed exchange rate risk and interest rate risk arising from short-term borrowings, the Group entered into a cross currency swap agreement. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognize in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in gain or loss on foreign exchange and finance costs when the hedged items, principal and interest are subsequently paid.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	\$ 2,063,891	\$ 1,720,159
Installment notes receivable	8,333,934	6,678,063
Accounts receivable	5,266,711	3,890,197
Installment accounts receivable	178,995,777	139,688,508
Lease payments and notes receivable	24,394,947	19,922,150
Premiums receivable	751,027	611,684
Overdue receivable	<u>37,523</u>	<u>24,009</u>
	219,843,810	172,534,770
Less: Unrealized interest income	(19,093,881)	(14,087,414)
Unearned finance income	(2,349,549)	(2,108,226)
Allowance for doubtful accounts	(<u>3,782,588</u>)	(<u>3,414,181</u>)
Notes and accounts receivable, net	<u>\$ 194,617,792</u>	<u>\$ 152,924,949</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 190,535,009</u>	<u>\$ 150,629,922</u>
Non-current (shown as other assets)	<u>\$ 4,082,783</u>	<u>\$ 2,295,027</u>

As of December 2021 and 2020, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$5,349,850 and \$3,497,571, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

A. The aging analysis of receivables that were past due but not impaired is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 218,003,316	\$ 170,801,064
Up to 30 days	221,315	129,508
31 to ~ 90 days	813,949	686,056
91 to ~ 180 days	444,285	400,636
Over 180 days	<u>360,945</u>	<u>517,506</u>
	<u>\$ 219,843,810</u>	<u>\$ 172,534,770</u>

The above aging analysis was based on past due date.

B. As of December 31, 2021 and 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$7,394,968 and \$6,245,225, respectively.

C. The expected recovery of the Group's installment notes and accounts receivable is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Up to 12 months	\$ 63,970,842	\$ 52,888,428
Over 12 months	<u>123,358,869</u>	<u>93,478,143</u>
	<u>\$ 187,329,711</u>	<u>\$ 146,366,571</u>

D. Lease payments receivable

Refer to Note 6(13) for more details.

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

(6) Offsetting financial assets and financial liabilities

A. The derivatives and reverse repurchase agreement held by the Group do not conform to the offsetting requirements under paragraph 42 of IAS 32. However, the subsidiary has entered into enforceable master netting arrangements or similar agreements with counterparties. Upon the event of a delinquency (default, insolvency or bankruptcy) of a party, the counterparties may set-off the netting arrangement or pursue legal action against the collateral. The related amount of the collateral received (paid) is its fair value. However, the offsetting amount is limited to recognized financial assets (liabilities).

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

December 31, 2021						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)-(e)
Derivative instruments	\$ 1,599	\$ -	\$ 1,599	\$ 58	\$ -	\$ 1,541
Reverse repurchase agreement	3,170,484	-	3,170,484	-	3,156,708	13,776
	<u>\$3,172,083</u>	<u>\$ -</u>	<u>\$ 3,172,083</u>	<u>\$ 58</u>	<u>\$3,156,708</u>	<u>\$ 15,317</u>

Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets Financial Instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)-(e)
Derivative instruments	\$ 58	\$ -	\$ 58	\$ 58	\$ -	\$ -

December 31, 2020						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)-(e)
Reverse repurchase agreement	\$ 2,695,901	\$ -	\$ 2,695,901	\$ -	\$2,695,901	\$ -

(7) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 6,221,969	(\$ 110,743)	\$ 6,111,226
Air conditioners and parts	2,423,046	(316,741)	2,106,305
Other goods	268,512	(7,455)	261,057
Inventory in transit	<u>1,536,297</u>	<u>-</u>	<u>1,536,297</u>
	<u>\$ 10,449,824</u>	<u>(\$ 434,939)</u>	<u>\$ 10,014,885</u>

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 9,079,732	(\$ 101,747)	\$ 8,977,985
Air conditioners and parts	2,457,924	(338,794)	2,119,130
Other goods	193,747	(9,361)	184,386
Inventory in transit	<u>574,652</u>	<u>-</u>	<u>574,652</u>
	<u>\$ 12,306,055</u>	<u>(\$ 449,902)</u>	<u>\$ 11,856,153</u>

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

B. The cost of inventories recognized as expense for the period:

	Years ended December 31,	
	2021	2020
Cost of goods sold	\$ 178,789,321	\$ 173,148,040
(Gain on reversal of) loss on market value decline of inventories	(14,963)	11,846
	<u>\$ 178,774,358</u>	<u>\$ 173,159,886</u>

The Group reversed a previous inventory write-down and recognised as decrease in cost of goods sold because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the year ended December 31, 2021.

(8) Prepayments

	December 31, 2021	December 31, 2020
Prepayments to commissions	\$ 3,219,604	\$ 3,369,649
Prepayments to suppliers	3,289,417	2,725,308
Offset against business tax payable	532,498	998,340
Prepaid insurance premiums	565,330	437,142
Other prepayments	<u>824,745</u>	<u>738,023</u>
	<u>\$ 8,431,594</u>	<u>\$ 8,268,462</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Claims recoverable from reinsurers	\$ 153,876	\$ 111,906
Due from reinsurance and ceding companies	127,160	70,109
Reinsurance reserve assets		
-Ceded unearned premium reserve	1,183,255	1,070,363
-Ceded claims reserve	1,661,846	900,591
Due from reinsurance and ceding companies-overdue	<u>12,532</u>	<u>19,611</u>
	3,138,669	2,172,580
Less: Loss allowance	(<u>12,767</u>)	(<u>16,792</u>)
	<u>\$ 3,125,902</u>	<u>\$ 2,155,788</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current	<u>\$ 2,396,571</u>	<u>\$ 1,600,071</u>
Non-current (shown as other assets)	<u>\$ 729,331</u>	<u>\$ 555,717</u>

For the credit risk of reinsurance contract assets, please refer to Note 12(5).

B. Movements of loss allowance/allowance for bad debts of reinsurance contract assets are as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 16,792	\$ 14,258
(Reversal of) provision during the year	(<u>4,025</u>)	<u>2,534</u>
At December 31	<u>\$ 12,767</u>	<u>\$ 16,792</u>

C. Details of insurance liabilities are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unearned premium reserve	\$ 6,127,570	\$ 5,483,854
Claims reserve	5,309,570	3,655,621
Special reserve	<u>1,921,235</u>	<u>1,913,531</u>
	<u>\$ 13,358,375</u>	<u>\$ 11,053,006</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current (shown as other current liabilities)	<u>\$ 8,902,416</u>	<u>\$ 7,238,192</u>
Non-current (shown as provisions)	<u>\$ 4,455,959</u>	<u>\$ 3,814,814</u>

D. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	<u>2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,483,854	\$ 1,070,363	\$ 4,413,491
Provision during the year	6,127,570	1,183,255	4,944,315
Recovery during the year	(<u>5,483,854</u>)	(<u>1,070,363</u>)	(<u>4,413,491</u>)
At December 31	<u>\$ 6,127,570</u>	<u>\$ 1,183,255</u>	<u>\$ 4,944,315</u>

	2020		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 4,393,809	\$ 899,632	\$ 3,494,177
Provision during the year	5,483,854	1,070,363	4,413,491
Recovery during the year	(4,393,809)	(899,632)	(3,494,177)
At December 31	<u>\$ 5,483,854</u>	<u>\$ 1,070,363</u>	<u>\$ 4,413,491</u>

E. Details of claims reserve and movements of ceded claims reserve and claims reserve are as follows:

(a) As of December 31, 2021 and 2020, details of claims reserve and ceded claims reserve are as follows:

	December 31, 2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,620,679	\$ 849,535	\$ 1,771,144
Incurred but not reported	<u>2,688,891</u>	<u>812,311</u>	<u>1,876,580</u>
	<u>\$ 5,309,570</u>	<u>\$ 1,661,846</u>	<u>\$ 3,647,724</u>

	December 31, 2020		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,923,789	\$ 388,086	\$ 1,535,703
Incurred but not reported	<u>1,731,832</u>	<u>512,505</u>	<u>1,219,327</u>
	<u>\$ 3,655,621</u>	<u>\$ 900,591</u>	<u>\$ 2,755,030</u>

(b) Movements of claims reserve and ceded claims reserve are as follows:

	2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,655,621	\$ 900,591	\$ 2,755,030
Provision during the year	5,309,570	1,661,846	3,647,724
Recovery during the year	(3,655,621)	(900,591)	(2,755,030)
At December 31	<u>\$ 5,309,570</u>	<u>\$ 1,661,846</u>	<u>\$ 3,647,724</u>

	2020		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,091,211	\$ 707,719	\$ 2,383,492
Provision during the year	3,655,621	900,591	2,755,030
Recovery during the year	(3,091,211)	(707,719)	(2,383,492)
At December 31	<u>\$ 3,655,621</u>	<u>\$ 900,591</u>	<u>\$ 2,755,030</u>

F. Movement of special reserve is as follows:

	<u>2021</u>	<u>2020</u>
At January 1	\$ 1,913,531	\$ 1,913,192
Provision during the year	9,297	1,932
Recovery during the year	(1,593)	(1,593)
At December 31	<u>\$ 1,921,235</u>	<u>\$ 1,913,531</u>

For Hotai Insurance Co., Ltd., the insurance types of the special reserve include compulsory automobile liability insurance, nuclear insurance, policy earthquake insurance and typhoon and flood insurance.

G. Pursuant to Jin-Guan-Pao-Tsai Letter No. 10102515061, “Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders’ equity in accordance with IAS 12.

If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to Hotai Insurance Co., Ltd. are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Decrease in special reserve under liability	\$ 379,390	\$ 380,983
Increase in special reserve under retained earnings	315,086	316,360

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Increase in net income before tax	\$ 1,593	\$ 1,593
Increase in earnings per share before tax	0.08	0.08

H. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities as of December 31, 2021 and 2020.

If the above is not taken into consideration, the effects on liabilities, equity and profit to Hotai Insurance Co., Ltd. are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the years ended December 31, 2021 and 2020.

(10) Investments accounted for using the equity method

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Kuozui Motors, Ltd.	\$ 5,242,021	\$ 4,590,681
Central Motor Co., Ltd.	2,649,211	2,609,115
Tau Miao Motor Co., Ltd.	1,673,305	1,608,001
Kau Du Automobile Co., Ltd.	1,408,476	1,392,909
Kuotu Motor Co., Ltd.	1,315,675	1,238,822
Taipei Toyota Motor Co., Ltd.	1,197,429	1,157,264
Nan Du Motor Co., Ltd.	1,130,250	1,086,633
Formosa Flexible Packaging Corp.	394,678	378,824
Lang Yang Toyota Motor Co., Ltd.	301,184	301,130
Shi-Ho Screw Industrial Co., Ltd.	126,413	125,983
Yokohama Tire Taiwan Co., Ltd., etc.	1,897,429	1,839,165
	<u>\$ 17,336,071</u>	<u>\$ 16,328,527</u>

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

As of December 31, 2021 and 2020, the carrying amount of the Group's individually immaterial associates amounted to \$17,336,071 and \$16,328,527, respectively.

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Comprehensive income for the year	<u>\$ 2,075,438</u>	<u>\$ 1,530,051</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to \$2,007,473 and \$1,534,792 for the years ended December 31, 2021 and 2020, respectively, and were valued based on the investees' financial statements that were not audited by independent auditors.

C. In June 2020, the Group acquired 35% equity interest in Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd. for a cash consideration of \$45,017.

D. In May 2020, the Group acquired 50% equity interest in AIM Technology Corp. for a cash consideration of \$55,000.

E. In May 2020, the Group proportionately participated in the capital increase of Tianjin Yongda Communication Technology Co., Ltd. and Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd. for cash amounting to \$35,015 and \$14,644, respectively.

F. In the first quarter of 2020, the Group acquired 35% equity interest in Tianjin Yongda Communication Technology Co., Ltd. for a cash consideration of \$153,079.

G. In March 2020, the Group acquired 35% equity interest in Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd. for a cash consideration of \$30,421.

(11) Property, plant and equipment

	2021									
	Utility equipment			Office equipment			Machinery and equipment			Construction in progress and prepayment for real estate
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Owner-occupied	
At January 1, 2021										
Cost	\$ 9,356,989	\$ 5,431,459	\$ 143,189	\$ 59,990	\$ 1,981,655	\$ 936,359	\$ 603,464	\$ 46,444,953	\$ 740,015	\$ 707,569
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment	(26,850)	(2,230,846)	(136,240)	(59,761)	(1,204,802)	(435,509)	(348,504)	(14,050,466)	(544,680)	(19,037,658)
	<u>\$10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>
2020										
Opening net book amount as of January 1	\$10,676,106	\$ 3,212,692	\$ 6,949	\$ 229	\$ 776,853	\$ 500,850	\$ 254,960	\$32,394,487	\$ 195,335	\$ 707,569
Additions	568,677	518,519	1,221	-	381,548	158,755	49,273	18,428,956	56,290	812,156
Disposals	-	(1,287)	-	-	(96,594)	(1,824)	(1,805)	(332,134)	(1,891)	-
Reclassifications	-	(59,704)	1,156	-	6,902	(8,921)	826	(5,177,878)	(3,353)	(321,187)
Depreciation	-	(106,457)	(1,575)	(45)	(244,459)	(219,966)	(46,888)	(9,383,065)	(59,391)	-
Impairment loss	-	-	-	-	-	8,533	-	(19,054)	-	-
Net exchange differences	-	(7,950)	(20)	-	(1,890)	(243)	(817)	105	(45)	(1,289)
Closing net book amount as of December 31	<u>\$11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$35,911,417</u>	<u>\$ 186,945</u>	<u>\$1,197,249</u>
At December 31, 2021										
Cost	\$ 9,925,666	\$ 5,941,748	\$ 145,534	\$ 59,990	\$ 2,139,272	\$ 903,840	\$ 629,226	\$52,094,036	\$ 777,137	\$ 1,197,249
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment	(26,850)	(2,398,014)	(137,803)	(59,806)	(1,316,912)	(466,636)	(373,677)	(16,182,619)	(590,192)	-
	<u>\$11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$35,911,417</u>	<u>\$ 186,945</u>	<u>\$1,197,249</u>

Note: Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at their carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

2020

	Utility equipment				Office equipment		Machinery and equipment				
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Leasehold improvements	Construction in progress and prepayment for real estate	Total
At January 1, 2020											
Cost	\$ 9,264,310	\$ 5,273,598	\$ 138,715	\$ 59,990	\$ 1,743,954	\$ 840,370	\$ 543,681	\$ 42,579,797	\$ 687,803	\$ 499,311	\$ 61,631,529
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,018,166)	(135,119)	(59,717)	(1,087,640)	(422,696)	(282,413)	(12,731,451)	(481,828)	-	(17,245,880)
	<u>\$10,583,427</u>	<u>\$ 3,267,511</u>	<u>\$ 3,596</u>	<u>\$ 273</u>	<u>\$ 656,314</u>	<u>\$ 417,674</u>	<u>\$ 261,268</u>	<u>\$ 29,848,346</u>	<u>\$ 205,975</u>	<u>\$ 499,311</u>	<u>\$45,743,695</u>
2020											
Opening net book amount as of January 1	\$10,583,427	\$ 3,267,511	\$ 3,596	\$ 273	\$ 656,314	\$ 417,674	\$ 261,268	\$ 29,848,346	\$ 205,975	\$ 499,311	\$ 45,743,695
Additions	83,635	105,524	4,365	-	407,490	222,083	40,298	16,406,615	52,258	764,560	18,086,828
Disposals	- (41)	-	-	- (75,413)	- (407,490)	- (2,045)	- (1,238)	- (246,300)	- (425)	-	- (325,462)
Reclassifications	9,044 (16,891)	-	-	- 14,474	- 77,308	- 864	- 864	- (5,115,099)	-	- (560,855)	- (5,592,883)
Depreciation	- (167,159)	(1,085)	(44)	(231,744)	(216,286)	(1,402)	(46,965)	(8,314,249)	(62,608)	-	(9,040,140)
Impairment loss	-	-	-	-	-	1,402	-	(200,545)	-	-	(199,143)
Net exchange differences	-	23,748	73	-	5,732	714	2,461	15,719	135	4,553	53,135
Closing net book amount as of December 31	<u>\$10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$ 32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>	<u>\$48,726,030</u>
At December 31, 2020											
Cost	\$ 9,356,989	\$ 5,431,459	\$ 143,189	\$ 59,990	\$ 1,981,655	\$ 936,359	\$ 603,464	\$ 46,444,953	\$ 740,015	\$ 707,569	\$ 66,405,642
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,230,846)	(136,240)	(59,761)	(1,204,802)	(435,509)	(348,504)	(14,050,466)	(544,680)	-	(19,037,658)
	<u>\$10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$ 32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>	<u>\$48,726,030</u>

Note : Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

(12) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings and structures and office equipment. Rental contracts are typically made for periods of 1 to 20 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:

<u>Carrying Amount</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 1,799,940	\$ 1,717,463
Buildings and structures	1,633,380	1,361,460
Machinery and equipment	3,288	4,384
Office equipment	<u>352</u>	<u>1,918</u>
	<u>\$ 3,436,960</u>	<u>\$ 3,085,225</u>

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Depreciation charge</u>		
Land	\$ 142,278	\$ 141,875
Buildings and structures	403,818	386,993
Machinery and equipment	1,096	1,005
Office equipment	<u>1,566</u>	<u>2,295</u>
	<u>\$ 548,758</u>	<u>\$ 532,168</u>

C. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets amounted to \$913,549 and \$1,293,986, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 45,673	\$ 47,118
Expense on short-term lease contracts and leases of low-value assets	47,416	41,562
Gain on lease modification	2,133	171

E. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for lease (including short-term lease contracts and leases of low-value assets) amounted to \$720,557 and \$576,572, respectively.

(13) Leasing arrangements - lessor

A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles and multifunction printers. 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. The Group leases machinery and equipment, business vehicles and so on under a finance lease. Based on the terms of the lease contract, the ownership of assets will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Finance income from the net investment in the finance lease	\$ <u>2,414,023</u>	\$ <u>2,101,823</u>

- C. The maturity analysis of the undiscounted lease payment receivable in the finance lease is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than 1 year	\$ 15,925,217	\$ 12,549,310
Between 1 and 2 years	5,993,010	5,116,071
Between 2 and 3 years	1,346,121	1,211,065
Between 3 to 4 years	127,207	107,664
Between 4 to 5 years	36,844	28,110
More than 6 years	<u>790</u>	<u>-</u>
	\$ <u>23,429,189</u>	\$ <u>19,012,220</u>

- D. Reconciliation of the undiscounted lease payments receivable and the net investment in the finance lease is provided as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Non-current</u>	<u>Non-current</u>
Undiscounted lease payments	\$ 23,429,189	\$ 19,012,220
Unearned finance income	(<u>2,349,549</u>)	(<u>2,108,226</u>)
Net investment in the lease	\$ <u>21,079,640</u>	\$ <u>16,903,994</u>

- E. For the years ended December 31, 2021 and 2020, the Group recognized rent income in the amount of 15,130,969 and \$13,418,263, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Less than 1 year	\$ 11,207,708	\$ 10,372,670
Between 1 and 2 years	6,915,809	6,551,527
Between 2 and 3 years	3,172,160	3,023,155
Between 3 to 4 years	998,909	876,145
Between 4 to 5 years	336,628	289,721
More than 6 years	<u>16,030</u>	<u>8,631</u>
	\$ <u>22,647,244</u>	\$ <u>21,121,849</u>

(14) Investment property

2021			
	Land	Buildings and structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 1,214,517	\$ 1,131,642	\$ 2,346,159
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(311,391)	(311,391)
	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>
<u>2021</u>			
Opening net book amount as of January 1	\$ 1,542,311	\$ 820,251	\$ 2,362,562
Additions	197,876	29,928	227,804
Reclassifications	-	(40,624)	(40,624)
Depreciation	-	(18,059)	(18,059)
Closing net book amount as of December 31	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
<u>At December 31, 2021</u>			
Cost	\$ 1,412,394	\$ 1,115,203	\$ 2,527,596
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(323,707)	(323,707)
	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
2020			
	Land	Buildings and structures	Total
<u>At January 1, 2020</u>			
Cost	\$ 1,212,157	\$ 600,882	\$ 1,813,039
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(295,518)	(295,518)
	<u>\$ 1,539,951</u>	<u>\$ 305,364</u>	<u>\$ 1,845,315</u>
<u>2020</u>			
Opening net book amount as of January 1	\$ 1,539,951	\$ 305,364	\$ 1,845,315
Additions	-	22,368	22,368
Reclassifications	2,360	508,281	510,641
Depreciation	-	(15,762)	(15,762)
Closing net book amount as of December 31	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>
<u>At December 31, 2020</u>			
Cost	\$ 1,214,517	\$ 1,131,642	\$ 2,346,159
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(311,391)	(311,391)
	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>

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

	Years ended December 31,	
	2021	2020
Rental income from investment property	\$ 165,574	\$ 145,636
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 34,485	\$ 23,862

- B. The fair value of the investment property held by the Group was \$3,309,155 and \$2,715,721 as of December 31, 2021 and 2020, respectively, based on the market value method, except for Hotai Insurance Co., Ltd., who appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. It also prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under “Regulations on Real Estate Appraisal” and take the result as the basis of the adjustments for financial statement disclosures. The valuations based on the aforementioned method were categorized within Level 3 in the fair value hierarchy as assessed and its main input was capitalization rate.

(15) Intangible assets

	2021			
	Goodwill	Client relationship	Other intangible assets	Total
<u>At January 1, 2021</u>				
Cost	\$ 662,323	\$ 527,106	\$ 262,241	\$ 1,451,670
Accumulated amortization and impairment	-	(69,550)	(170,875)	(240,425)
	<u>\$ 662,323</u>	<u>\$ 457,556</u>	<u>\$ 91,366</u>	<u>\$ 1,211,245</u>
<u>2020</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 457,556	\$ 91,366	\$ 1,211,245
Additions-acquired separately	-	-	174,791	174,791
Amortization	-	(17,569)	(70,476)	(88,045)
Net change differences	-	-	(252)	(252)
Closing net book amount as of December 31	<u>\$ 662,323</u>	<u>\$ 439,987</u>	<u>\$ 195,429</u>	<u>\$ 1,297,435</u>
<u>At December 31, 2021</u>				
Cost	\$ 662,323	\$ 527,106	\$ 428,664	\$ 1,618,093
Accumulated amortization and impairment	-	(87,119)	(233,235)	(320,354)
	<u>\$ 662,323</u>	<u>\$ 439,987</u>	<u>\$ 195,429</u>	<u>\$ 1,297,435</u>

	2020			
	Goodwill	Client relationship	Other intangible assets	Total
<u>At January 1, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 213,693	\$ 1,403,122
Accumulated amortization and impairment	- (51,979)	(118,273)	(170,252)	
	<u>\$ 662,323</u>	<u>\$ 475,127</u>	<u>\$ 95,420</u>	<u>\$ 1,232,870</u>
<u>2020</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 475,127	\$ 95,420	\$ 1,232,870
Additions-acquired separately	-	-	48,286	48,286
Amortization	- (17,571)	(52,429)	(70,000)	
Net change differences	-	-	89	89
Closing net book amount as of December 31	<u>\$ 662,323</u>	<u>\$ 457,556</u>	<u>\$ 91,366</u>	<u>\$ 1,211,245</u>
<u>At December 31, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 262,241	\$ 1,451,670
Accumulated amortization and impairment	- (69,550)	(170,875)	(240,425)	
	<u>\$ 662,323</u>	<u>\$ 457,556</u>	<u>\$ 91,366</u>	<u>\$ 1,211,245</u>

Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2021	2020
Administrative expenses	<u>\$ 88,405</u>	<u>\$ 70,000</u>

(16) Other assets

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 4,700,927	\$ 2,816,817
Reinsurance contract assets	729,332	555,717
Operation bonds	300,300	300,300
Guarantee deposits paid	516,843	421,330
Prepayments for business facilities	184,433	37,810
Others	<u>1,621,077</u>	<u>1,252,736</u>
	<u>\$ 8,052,912</u>	<u>\$ 5,384,710</u>

(17) Short-term loans

Type of loans	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank loans		
Unsecured loans	\$ 51,812,383	\$ 43,042,510
Mortgage loans	5,600,000	5,250,000
Mid-term syndicated loans for working capital	<u>9,353,857</u>	<u>-</u>
	<u>\$ 66,766,240</u>	<u>\$ 48,292,510</u>
Annual interest rate	<u>0.52%~4.75%</u>	<u>0.58%~4.75%</u>

As of December 31, 2021 and 2020, the details of loans are as follows:

A. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract

for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 36 months (from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amounts at the maturity date.

- B. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- C. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 380 million with 3 financial institutions including DBS Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from November 9, 2017 to November 9, 2020). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period. This loan has been settled at maturity in November 2020.
- D. Financial commitments of the Group made for the abovementioned syndicated loans and partial loans from other financial institutions require the Group to maintain specific current ratio, ratio of self-owned capital, interest coverage ratio, net value, debt/equity ratio and non-performing loans ratio during the contract periods.

(18) Short-term notes and bills payable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commercial paper payable	\$ 104,950,000	\$ 84,049,727
Less: Unamortized discount	(88,658)	(27,852)
	<u>\$ 104,861,342</u>	<u>\$ 84,021,875</u>
Annual interest rate	<u>0.39%~1.04%</u>	<u>0.33%~1.19%</u>

(19) Bonds payable (Recorded as 'long-term liabilities current portion')

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bonds payable	<u>\$ 12,200,000</u>	<u>\$ 9,400,000</u>

The information on corporate bonds issued by the Group's subsidiary, Hotai Finance Co., Ltd. that has been approved by the Competent Authority are as follows:

- A. The second unsecured ordinary corporate bonds was issued in 2021. The total amount was \$3,000,000, the coupon rate was 0.56% with a 5-year period, the outstanding period was from July 22, 2021 to July 22, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. The first unsecured ordinary corporate bonds was issued in 2021. The total amount was \$2,200,000, the coupon rate was 0.55% with a 5-year period, the outstanding period was from April 15, 2021 to April 15, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.

D. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was \$2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

E. The first unsecured ordinary corporate bonds was issued in 2016. The total amount was \$2,800,000, the coupon rate was 0.93% with a 3-year period, the outstanding period was from January 11, 2017 to January 11, 2020, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

(20) Long-term loans

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2021	December 31, 2020
Long-term bank borrowings					
US dollar denominated borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.31%	None	\$ 132,902	\$ -
	USD 3,000 thousand; borrowing period is from September 2018 to July 2021; interest is repayable quarterly	1.43%	None	-	85,491
	USD 3,500 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.57%	None	-	99,739
	USD 1,300 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.57%	None	-	37,046
Secured borrowings	From July 2015 to June 2025 (Note)	6.22%	Land use right (please refer to Note 8)	-	150,676
	From December 2019 to December 2024	1.20%	Land (please refer to Note 8)	40,000	70,000
	From January 2019 to January 2022		Notes receivable for lease payments (please refer to Note 8)	150,000	150,000
Commercial papers payable	From February 2018 to December 2023	0.68%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	5,400,000
	From April 2019 to November 2024	0.65%~1.06%	Notes receivable for lease payments (please refer to Note 8)	5,800,000	-
Less: unamortized discounts				(7,274)	(7,257)
				6,115,628	5,985,695
Less: long-term liabilities, current portion				(1,379,045)	(2,849,530)
				<u>\$ 4,736,583</u>	<u>\$ 3,136,165</u>
Interest rate range				<u>0.65%~1.51%</u>	<u>0.68~6.22%</u>

Note: It refers to the secured borrowings of Shanghai Fengyi Construction Decoration Co., Ltd. when acquiring the subsidiary in December 2020. This loan has been settled in full in January 2021.

As of December 31, 2021, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 1,512,902
1 to 2 years	2,310,000
2 to 3 years	2,300,000
	<u>\$ 6,122,902</u>

(21) Accrued expenses

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Wages and salaries payable	\$ 2,761,874	\$ 2,378,981
Dealer bonus payable	271,415	619,704
Remuneration payable to employees	919,070	763,854
Remuneration payable to directors	385,761	334,054
Interest payable	142,741	129,331
Others	<u>2,476,779</u>	<u>1,917,236</u>
	<u>\$ 6,957,640</u>	<u>\$ 6,143,160</u>

(22) Pensions

Defined contribution pension plan

A. Effective July 1, 2005, the Company and its domestic subsidiaries have 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 and its domestic subsidiaries contribute 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.

B. The Company’s mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland China subsidiaries have no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2021 and 2020, were \$347,353 and \$213,149, respectively.

(23) Provisions

	<u>2021</u>	<u>2020</u>
At January 1	\$ 4,141,106	\$ 3,393,067
Additional provisions during the year	1,769,899	1,416,154
Used during the year	(935,000)	(657,308)
Unused amounts reversed	(137,060)	(10,807)
At December 31	<u>\$ 4,838,945</u>	<u>\$ 4,141,106</u>

Analysis of provision for warranty is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current (shown as other current liabilities)	\$ <u>1,073,047</u>	\$ <u>1,104,817</u>
Non-current	\$ <u>3,765,898</u>	\$ <u>3,036,289</u>

The Group provides warranties on vehicles and air conditioners sold. Provision for warranty is estimated based on historical warranty data of vehicles, air conditioners and related products.

(24) Guarantee deposits received

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Deposits received for car rentals	\$ 15,205,532	\$ 13,495,634
Others	<u>108,278</u>	<u>150,724</u>
	\$ <u>15,313,810</u>	\$ <u>13,646,358</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current (shown as other current liabilities)	\$ <u>7,210,866</u>	\$ <u>6,672,612</u>
Non-current	\$ <u>8,102,944</u>	\$ <u>6,973,746</u>

(25) Share capital

As of December 31, 2021, 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, 2021 and December 31, 2021 was both 546,179,184 shares.

(26) 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.

(27) 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. On August 12, 2021 and June 19, 2020, the stockholders resolved that total dividends for the distribution of earnings for the years of 2020 and 2019 were \$9,285,046 (\$17 per share) and \$7,646,509 (\$14 per share), respectively. On March 24, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year of 2021 was \$10,923,584 with \$20 (in dollars) per share.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(32).

(28) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

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

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
2021					
Segments	\$ 138,872,240	\$ 1,564,583	\$ 6,639,811	\$ 75,661,326	\$ 222,737,960
Inter segments	(8,721,413)	(638)	(343,610)	(8,419,608)	(17,485,269)
Revenue from external customer contracts	<u>\$ 130,150,827</u>	<u>\$ 1,563,945</u>	<u>\$ 6,296,201</u>	<u>\$ 67,241,717</u>	<u>\$ 205,252,690</u>
Timing of revenue recognition					
At a point in time	\$ 130,150,827	\$ 1,196,502	\$ 6,296,201	\$ 65,242,840	\$ 202,886,370
Over time	-	367,443	-	1,998,877	2,366,320
	<u>\$ 130,150,827</u>	<u>\$ 1,563,945</u>	<u>\$ 6,296,201</u>	<u>\$ 67,241,717</u>	<u>\$ 205,252,690</u>
2020					
Segments	\$ 136,052,443	\$ 1,588,814	\$ 8,267,352	\$ 66,199,093	\$ 212,107,702
Inter segments	(7,644,115)	-	(779,884)	(6,850,553)	(15,274,552)
Revenue from external customer contracts	<u>\$ 128,408,328</u>	<u>\$ 1,588,814</u>	<u>\$ 7,487,468</u>	<u>\$ 59,348,540</u>	<u>\$ 196,833,150</u>
Timing of revenue recognition					
At a point in time	\$ 128,408,328	\$ 1,059,077	\$ 7,487,468	\$ 57,894,268	\$ 194,849,141
Over time	-	499,737	-	1,454,272	1,954,009
	<u>\$ 128,408,328</u>	<u>\$ 1,558,814</u>	<u>\$ 7,487,468</u>	<u>\$ 59,348,540</u>	<u>\$ 196,803,150</u>

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Contract assets:		
Contract assets - construction contracts	<u>\$ 29,094</u>	<u>\$ 23,661</u>
Contract liabilities:		
Contract liabilities - sales of goods	\$ 1,367,624	\$ 1,437,134
Contract liabilities -customer loyalty programs	<u>3,627</u>	<u>5,839</u>
	<u>\$ 1,371,251</u>	<u>\$ 1,442,973</u>

For the years ended December 31, 2021 and 2020, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$1,173,950 and \$817,535, respectively.

(29) Interest income

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Installment revenue	\$ 9,744,857	\$ 7,545,975
Finance leasing revenue	2,414,023	2,101,823
Interest from deposits and short-term notes	162,612	159,322
Other interest income	<u>70,752</u>	<u>70,409</u>
	<u>\$ 12,392,244</u>	<u>\$ 9,877,529</u>

(30) Premium

Details of premium are as follows:

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Written premium	\$ 11,088,970	\$ 9,971,098
Reinsurance premium	427,685	391,328
Less: Reinsurance expense	(2,445,220)	(2,230,913)
Net change in unearned premiums reserve	<u>(530,823)</u>	<u>(919,314)</u>
	<u>\$ 8,540,632</u>	<u>\$ 7,212,199</u>

(31) Expenses by nature

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Employee benefit expense	\$ 10,243,976	\$ 8,150,187
Depreciation	10,628,663	9,588,070
Amortization	<u>124,275</u>	<u>83,914</u>
	<u>\$ 20,996,914</u>	<u>\$ 17,822,171</u>

(32) Employee benefit expense

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Wages and salaries	\$ 8,740,813	\$ 7,066,570
Labor and health insurance fees	657,628	468,134
Pension costs	347,353	213,149
Other personnel expenses	<u>498,182</u>	<u>402,334</u>
	<u>\$ 10,243,976</u>	<u>\$ 8,150,187</u>

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, 2021 and 2020, employees' remuneration were accrued at \$192,880 and \$167,027, respectively; while directors' remuneration were accrued at \$385,761 and \$334,054, 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, 2021. The employees' remuneration and directors' remuneration resolved by the Board of Directors were \$192,880 and \$385,761 on March 24, 2022, and the employees' remuneration will be distributed in cash.

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

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.

(33) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2021	2020
Current tax:		
Current tax expense recognized in the current year	\$ 4,819,804	\$ 4,411,139
Tax on undistributed surplus earnings	232,835	220,651
Prior year income tax (overestimation) underestimation	(51,991)	11,472
Total current tax	5,000,648	4,643,262
Deferred tax:		
Origination and reversal of temporary differences	411,921	(53,587)
Total deferred tax	411,921	(53,587)
Income tax expense	\$ 5,412,569	\$ 4,589,675

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	Years ended December 31,	
	2021	2020
Cash flow hedges	\$ 16,856	(\$ 1,899)
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 7,178	(\$ 3,037)
Changes in fair value of financial assets designated using overlay approach	(\$ 2,195)	(\$ 2,694)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2021	2020
Income tax expense at the statutory rate (Note)	\$ 7,295,964	\$ 5,893,824
Effects from adjustments based on regulation	(2,064,239)	(1,536,272)
Additional 10% surtax on undistributed earnings	232,835	220,651
Prior year income tax under (overestimation)	(51,991)	11,472
Income tax expense	<u>\$ 5,412,569</u>	<u>\$ 4,589,675</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$ 100,337	(\$ 3,453)	\$ -	\$ 96,884
Provision for warranty	604,934	128,034	-	732,968
Bad debt expense	656,659	4,890	-	661,549
Provision of allowance for loss on rental assets	99,320	2,105	-	101,425
Loss carryforward	71,072	-	-	71,072
Others	<u>273,406</u>	<u>26,791</u>	<u>11,738</u>	<u>311,935</u>
	<u>1,805,728</u>	<u>158,367</u>	<u>11,738</u>	<u>1,975,833</u>
-Deferred tax liabilities:				
Land value increment tax	(709,097)	-	-	(709,097)
Gain on investments accounted for using equity method	(1,320,479)	(441,718)	-	(1,762,197)
Difference between finance and tax due to depreciation	(1,192,824)	(126,899)	-	(1,319,723)
Others	<u>(39,452)</u>	<u>(1,671)</u>	<u>10,101</u>	<u>(31,022)</u>
	<u>(3,261,852)</u>	<u>(570,288)</u>	<u>101,10</u>	<u>(3,822,039)</u>
	<u>(\$1,456,124)</u>	<u>(\$ 411,921)</u>	<u>\$ 21,839</u>	<u>(\$ 1,846,206)</u>

(Remainder of page intentionally left blank)

2020				
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$ 97,656	\$ 2,381	\$ -	\$ 100,337
Provision for warranty	472,122	132,812	-	604,934
Bad debt expense	494,799	161,860	-	656,659
Provision of allowance for loss on rental assets	59,491	39,829	-	99,320
Loss carryforward	71,072	-	-	71,072
Others	<u>264,564</u>	<u>8,842</u>	-	<u>273,406</u>
	<u>1,460,004</u>	<u>345,724</u>	-	<u>1,805,728</u>
-Deferred tax liabilities:				
Land value increment tax	(709,097)	-	-	(709,097)
Gain on investments accounted for using equity method	(994,862)	(325,617)	-	(1,320,479)
Difference between finance and tax due to depreciation	(1,117,296)	(75,528)	-	(1,192,824)
Others	<u>(33,656)</u>	<u>1,834</u>	<u>(7,630)</u>	<u>(39,452)</u>
	<u>(2,854,911)</u>	<u>(399,311)</u>	<u>(7,630)</u>	<u>(3,261,852)</u>
	<u>(\$1,394,907)</u>	<u>(\$ 53,587)</u>	<u>(\$ 7,630)</u>	<u>(\$ 1,456,124)</u>

D. Expiration dates of unused loss carryforward amounts of unrecognized deferred tax assets of the Group's subsidiaries are as follows:

December 31, 2021				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2016	\$ 359,487	\$ 227,182	\$ -	2026
2017	127,576	127,576	4,167	2027
2018	186,170	90,814	90,814	2028
2019	100,754	100,754	100,754	2029
2020	79,043	79,043	79,043	2030
2021	114,757	114,757	114,757	2031

December 31, 2020				
Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2016	\$ 359,487	\$ 227,182	\$ -	2026
2017	127,576	127,576	4,167	2027
2018	186,170	90,814	90,814	2028
2019	100,754	100,754	100,754	2029
2020	79,043	79,043	79,043	2030

E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(34) Earnings per share

	Years ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 16,210,758	546,179	\$ 29.68
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 16,210,758	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	381	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 16,210,758	546,560	\$ 29.66

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

(35) Transactions with non-controlling interest

The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

- A. Subsidiary, Hotai Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares on April 29, 2021. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 54.22%. This transaction resulted in a decrease in the non-controlling interest by \$7,116 and an increase in the equity attributable to owners of the parent by \$7,116.
- B. Subsidiary, Hotai Leasing Co., Ltd., of the Group disposed of 49.18% of shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. on January 28, 2021. This transaction resulted in an increase in the non-controlling interest by \$17,254 and a decrease in the equity attributable to owners of the parent by \$17,254.
- C. Subsidiary, Hotai Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares in the third quarter of 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 78.16%. This transaction resulted in a decrease in the non-controlling interest by \$1,388 and an increase in the equity attributable to owners of the parent by \$1,388.

D. Subsidiary, Hoing Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares on March 18, 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest to 55.55%. This transaction resulted in a decrease in the non-controlling interest by \$1,270 and an increase in the equity attributable to owners of the parent by \$1,270.

(36) Changes in liabilities from financing activities

	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1, 2021	\$ 48,292,510	\$ 84,021,875	\$ 12,249,530	\$ 3,136,165	\$13,646,358	\$1,767,701	\$ 7,212	\$ 163,121,351
Changes in cash flow from financing activities	18,643,001	20,839,467	2,800,00	132,324	1,667,452	(627,468)	(9,285,046)	34,169,730
Impact of changes in foreign exchange rate	(35,349)	-	(2,391)	-	-	(5,571)	-	(43,311)
Changes in other non-cash items	(133,922)	-	(1,468,094)	1,468,094	-	990,471	9,284,993	10,141,542
December 31, 2021	<u>\$ 66,766,240</u>	<u>\$ 104,861,342</u>	<u>\$ 13,579,045</u>	<u>\$ 4,736,583</u>	<u>\$15,313,810</u>	<u>\$2,125,133</u>	<u>\$ 7,159</u>	<u>\$ 207,389,312</u>

	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1, 2020	\$ 61,183,045	\$ 53,735,476	\$ 7,626,749	\$ 3,500,851	\$13,059,964	\$1,923,318	\$ 7,251	\$ 141,036,654
Changes in cash flow from financing activities	(12,469,401)	30,286,399	4,200,000	69,435	586,394	(487,892)	(7,646,509)	14,538,426
Impact of changes in foreign exchange rate	(87,650)	-	-	(11,340)	-	16,631	-	(82,359)
Changes in other non-cash items	(333,484)	-	422,781	(422,781)	-	315,644	7,646,470	7,628,630
December 31, 2020	<u>\$ 48,292,510</u>	<u>\$ 84,021,875</u>	<u>\$ 12,249,530</u>	<u>\$ 3,136,165</u>	<u>\$13,646,358</u>	<u>\$1,767,701</u>	<u>\$ 7,212</u>	<u>\$ 163,121,351</u>

7. Related Party Transactions

(1) Names of related parties and relationship with the Group (Significant counterparties only)

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Toyota Industries Corporation	Entities controlled by key management
Toyota Motor Asia Pacific Pte Ltd. (TMAP)	Entities controlled by key management
Toyota South Africa Motors (Pty) Ltd.	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa(TME)	Entities controlled by key management
Toyota-Motor-Sales-USA(TMS)	Entities controlled by key management
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Entities controlled by key management
San Xing (Shanghai) Business Management Consulting Co., Ltd.	Entities controlled by key management
Triple S Digital Co.,Ltd.	Entities controlled by key management
Hino Motors, Ltd. (Hino)	Entities controlled by key management
Toyota Motor Corporation (TMC)	Entities controlled by key management
Ho Chuang Insurance Agency Co., Ltd.	Entities controlled by key management
Ho An Insurance Agency Co., Ltd. (Ho An)	Entities controlled by key management
Ho Yu Investment Co., Ltd. (Ho Yu)	Entities controlled by key management

Names of related parties	Relationship with the Group
Toyota Motor (China) Investment Co., Ltd. (TMCI)	Entities controlled by key management
Formosa Flexible Packaging Corp.	Associates
Zhongyang Motor Co., Ltd.	Associates
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	Associates
Kashiwabara Hotai Taiwan Co., Ltd.	Associates
Yokohama Tire Taiwan Co., Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Kuai Shun Transportation Co., Ltd.	Associates
Wang Fu Co., Ltd.	Associates
Nan I Motor Co., Ltd.	Associates
Chang Guan Logistics Co., Ltd.	Associates
ChongQing Yudu Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
ChongQing Taikang Heling Lexus Motor Sales & Service Co, Ltd.	Associates
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	Associates
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Tung Tai Asset Management Co., Ltd.	Associates
Tung Yu Motor Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Kuotu Motor Co., Ltd. (Kuotu)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miao Motor Co., Ltd. (Tau Miao)	Associates
Central Motor Co., Ltd. (Central Motor)	Associates

Names of related parties	Relationship with the Group
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
Hozao Enterprise Co., Ltd.	Associates
Hohung Motors Co., Ltd.	Associates
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd.	Associates
Heng Yun Investment Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
AIM Technology Corp.	Associates
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	Years ended December 31,	
	2021	2020
(a) Sales revenue:		
-Associates		
Central Motor	\$ 27,635,662	\$ 27,194,578
Tau Miao	25,312,390	24,627,557
Taipei Motor	19,809,896	20,070,605
Kuotu	17,943,998	19,929,634
Others	41,520,909	41,101,027
-Entities controlled by key management	114,218	101,941
	<u>\$ 132,337,073</u>	<u>\$ 133,025,342</u>

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 shown in table 6 of Note 13(1) significant transactions information.

	Years ended December 31,	
	2021	2020
(b) Rental revenue:		
-Associates	\$ 148,783	\$ 123,420
-Entities controlled by key management	9,725	9,760
	<u>\$ 158,508</u>	<u>\$ 133,180</u>

The Company and subsidiaries entered into rental contracts based on normal conditions with related parties and collect rents monthly based on the contracts.

	Years ended December 31,	
	2021	2020
(c) Service revenue:		
Service sales:		
-Associates	\$ 39,336	\$ 37,392
-Entities controlled by key management	17,780	28,492
Contracted operating revenue:		
-Associates	<u>23,932</u>	<u>18,294</u>
	<u>\$ 81,048</u>	<u>\$ 84,178</u>
	Years ended December 31,	
	2021	2020
(d) Subsidy income for price difference from installments:		
-Associates	<u>\$ 309,510</u>	<u>\$ 278,825</u>
	Years ended December 31,	
	2021	2020
(e) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 131,735	\$ 247,798
-Entities controlled by key management		
TMAP	355,300	328,093
Others	<u>958</u>	<u>2,375</u>
	<u>\$ 487,993</u>	<u>\$ 578,266</u>
	Years ended December 31,	
	2021	2020
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates	\$ 270,018	\$ 229,793
-Entities controlled by key management	<u>61,111</u>	<u>87,718</u>
	<u>\$ 331,129</u>	<u>\$ 317,511</u>
	Years ended December 31,	
	2021	2020
(g) Miscellaneous income:		
-Associates		
Kuotu	\$ 130,543	\$ 104,917
Others	193,013	156,512
-Entities controlled by key management	<u>95,287</u>	<u>114,192</u>
	<u>\$ 418,843</u>	<u>\$ 375,621</u>

B. Expenditures

	Years ended December 31,	
	2021	2020
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 60,309,556	\$ 46,047,770
Others	2,471,203	1,576,233
-Entities controlled by key management		
TMC	42,368,272	49,480,906
Others	<u>20,616,338</u>	<u>20,711,189</u>
	<u>\$ 125,765,369</u>	<u>\$ 117,816,098</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. ("TMCI"), TMAP, TMS and TME. Payment terms are shown in table 5 of Note 13(1) Significant transactions information.

	Years ended December 31,	
	2021	2020
(b) Warranty cost:		
-Associates		
Kuotu	\$ 137,951	\$ 98,455
Central Motor	124,542	102,061
Tau Miao	107,511	84,184
Nan Du	82,703	63,414
Kau Du	79,836	64,888
Taipei Motor	77,691	57,395
Others	21,175	13,203
-Entities controlled by key management	<u>\$ 4,886</u>	<u>1,282</u>
	<u>\$ 636,295</u>	<u>\$ 484,882</u>

	Years ended December 31,	
	2021	2020
(c) Freight:		
-Associates		
Fan Tai	\$ 193,506	\$ 184,362
Yi Tai	145,967	134,319
Others	2,870	2,674
-Entities controlled by key management	<u>1</u>	<u>1,282</u>
	<u>\$ 342,344</u>	<u>\$ 322,637</u>

	Years ended December 31,	
	2021	2020
(d) Commission expense:		
-Entities controlled by key management		
Ho An	<u>\$ 1,057,844</u>	<u>\$ 951,789</u>

	Years ended December 31,	
	2021	2020
(e) Others:		
-Associates		
Kuotu	\$ 7,535,289	\$ 7,901,774
Kau Du	5,570,457	5,524,430
Tau Miao	5,212,906	5,390,337
Central Motor	5,186,111	6,431,960
Taipei Motor	4,247,682	4,545,563
Nan Du	3,081,781	3,688,234
Others	274,398	521,392
	<u>\$ 31,108,624</u>	<u>\$ 34,003,690</u>

As described in Note 4(41), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 5 of Note 13(1) significant transactions information.

C. Receivables from (payables to) related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(a) Receivables from related parties:		
-Associates	\$ 2,022,437	\$ 1,660,898
-Entities controlled by key management	21,414	5,403
	<u>\$ 2,043,851</u>	<u>\$ 1,666,301</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(b) Other receivables from related parties:		
-Associates	\$ 159,920	\$ 200,601
-Entities controlled by key management	6,740	5,258
	<u>\$ 166,660</u>	<u>\$ 205,859</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(c) Accounts payable:		
-Associates	\$ 1,228,040	\$ 883,662
-Entities controlled by key management	3,565,396	4,866,417
	<u>\$ 4,793,436</u>	<u>\$ 5,750,179</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(d) Accrued expenses and other payables:		
-Associates	\$ 221,742	\$ 306,807
-Entities controlled by key management	1,336	1,195
	<u>\$ 223,078</u>	<u>\$ 308,002</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
(e) Commissions payable:		
-Entities controlled by key management		
Ho An	\$ 93,342	\$ 88,824
D. <u>Prepayments to suppliers</u>		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Entities controlled by key management	\$ 296,912	\$ 338,286
E. <u>Property transactions</u>		
Acquisition of rental assets and equipment		
	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
-Associates		
Kuotu	\$ 2,990,413	\$ 2,995,991
Central Motor	1,289,855	1,262,070
Taipei Motor	1,436,256	1,088,588
Tau Miao	962,672	836,414
Others	1,381,044	1,377,475
-Entities controlled by key management	30,939	28,234
	<u>\$ 8,091,179</u>	<u>\$ 7,588,772</u>
F. <u>Leasing arrangements - lessee</u>		
The Company and subsidiaries entered into the lease agreement with related parties based on the market price and the rent is paid on a monthly basis according to the agreement.		
Lease liabilities		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
- Entities controlled by key management		
Ho Yu	\$ 83,197	\$ 83,296
- Associates		
Kuo-zui	13,099	1,461
Others	4,669	941
	<u>\$ 100,965</u>	<u>\$ 85,698</u>
G. <u>Loans to related parties:</u>		
Loans to related parties		
Outstanding balance:		
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
-Associates		
Chongqing Taikang Heling	\$ 130,281	\$ -
Beijing Heling	86,854	-
Tianjin Binhai Heling	43,427	-
Others	21,714	-
	<u>\$ 282,276</u>	<u>\$ -</u>

(3) Key management remuneration

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 522,136	\$ 471,634
Post-employment benefits	-	353
Total	<u>\$ 522,136</u>	<u>\$ 471,987</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

Pledged asset	December 31, 2021	December 31, 2020	Purpose
Notes and accounts receivable	\$ 5,349,850	\$ 3,497,571	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 1)	300,300	300,300	Operation bonds
Restricted assets (Note 2)			
-Demand and time deposits	510,548	548,480	Short-term borrowings, performance guarantee and issuance of L/C (Note 3)
-Land	542,133	543,133	Long-term borrowings
-Land use right assets	-	470,392	Long-term borrowings
	<u>\$ 6,703,831</u>	<u>\$ 5,359,876</u>	

Note 1: Shown as 'other assets'.

Note 2: Shown as 'other financial assets -current' and 'other financial assets-non-current'.

Note 3: As of December 31, 2021 and 2020, the certificates of deposit amounting to \$9,913 and \$10,042, respectively, were pledged to a financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

Significant contracts signed by the Group with related parties and non-related parties as of December 31, 2021 are summarized as follows:

Type of contracts	Party involved	Contract period	Main contents
<u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2019 to December 31, 2021 (The contract was renewed in 2021, the contract period was from January 1, 2022 to December 31, 2024)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
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.

Type of contracts	Party involved	Contract period	Main contents
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2021 to May 14, 2024	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.
<u>Chang Yuan Motor Co., Ltd.</u> Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
<u>Toyota Material Handling Taiwan Ltd.</u> Distributor agreement	Toyota Industries Corporation	April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) For the appropriation of retained earnings of 2021, please refer to Note 6(27).
- (2) The subsidiary, Hotai Finance Co., Ltd. issued secured corporate bonds with a total issuance amount of \$3,000,000, and the effective date was set on January 4, 2022.
- (3) The subsidiary, Hotai Finance Co., Ltd. entered into a contract to group a syndicated unsecured commercial paper underwriting in the amount of \$8,000,000, and the effective date was set on January 24, 2022.
- (4) The Group invested \$980,000 to establish the subsidiary, HE JUN ENERGY CO., LTD., which was registered on February 22, 2022.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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. Information on the capital management policy that the Group's subsidiary, Hotai Insurance Co., Ltd., made based on the Insurance Law of the Republic of China is provided in Note 12(12).

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 8,794,920	\$ 6,864,841
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	9,299,511	8,089,138
Qualifying equity instrument	1,615,489	1,630,390
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	25,813,580	18,525,991
Notes receivable	10,731,037	8,753,542
Accounts receivable	179,803,972	141,876,380
Long-term notes and accounts receivable	4,082,783	2,295,027
Other receivables	1,492,994	1,498,941
Guarantee deposits paid	817,143	721,630
Other financial assets	2,938,704	2,598,935
	<u>\$ 245,390,133</u>	<u>\$ 192,854,815</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 27,780	\$ 62,171
Financial liabilities at amortized cost		
Short-term loans	66,766,240	48,292,510
Short-term notes and bills payable	104,861,342	84,021,875
Notes payable	783,316	698,070
Accounts payable	8,794,001	10,710,299
Accrued expenses	6,957,640	6,143,160
Other payables	1,407,173	1,222,200
Commission payable	545,799	435,365
Corporate bonds payable (including current portion)	12,200,000	9,400,000
Long-term borrowings (including current portion)	6,115,628	5,985,695
Guarantee deposits received	15,313,810	13,646,358
Other financial liabilities	53,707	69,928
	<u>\$ 223,826,436</u>	<u>\$ 180,687,631</u>
Lease liabilities	<u>\$ 2,125,133</u>	<u>\$ 1,767,701</u>
Financial liabilities for hedging	<u>\$ 578,276</u>	<u>\$ 355,051</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group'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) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(4).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). After taking into consideration the use of cross currency swap contracts, 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, 2021				December 31, 2020			
	Foreign currency amount		Exchange rate	Book value	Foreign currency amount		Exchange rate	Book value
	(In thousands)				(In thousands)			
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	86,187	27.6800	\$ 2,385,656	USD	51,568	28.4800	\$ 1,468,657
JPY:NTD	JPY	695,429	0.2405	167,251	JPY	693,259	0.2763	194,547
RMB:NTD	CNY	9,711	4.3427	42,172	CNY	820	4.3674	3,581
USD:RMB	USD	76	6.3739	2,104	USD	431	6.5210	12,275
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	246,681	27.6800	\$ 6,828,130	USD	207,305	28.4800	\$ 5,904,046
JPY:NTD	JPY	176,564	0.2405	42,464	JPY	177,741	0.2763	49,110
RMB:NTD	CNY	15,181	4.3427	65,927	CNY	7,874	4.3674	34,389
USD:RMB	USD	4,800	6.3739	132,864	USD	37,800	6.5210	1,076,544

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

- v. The total exchange gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to \$586,123 and \$446,473, respectively.
- vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

Year ended December 31, 2021					Year ended December 31, 2020				
Sensitivity analysis					Sensitivity analysis				
Degree of variation	Effect on profit or loss	Effect on other comprehensive income			Degree of variation	Effect on profit or loss	Effect on other comprehensive income		
(Foreign currency: functional currency)									
<u>Financial assets</u>									
<u>Monetary items</u>									
USD:NTD	1%	\$ 23,857	\$	-	1%	\$ 14,687	\$	-	
JPY:NTD	1%	1,673		-	1%	1,915		-	
RMB:NTD	1%	422		-	1%	36		-	
USD:RMB (Note)	1%	21		-	1%	123		-	
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD:NTD	1%	68,281		-	1%	106,032		-	
JPY:NTD	1%	425		-	1%	10,991		-	
RMB:NTD	1%	659		-	1%	344		-	
USD:RMB (Note)	1%	1,329		-	1%	10,765		-	

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.

- ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.
- iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.
- v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the years ended December 31, 2021 and 2020 would have increased/decreased by \$10,506 and \$21,762, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable 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 Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group 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 subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of December 31, 2021 and 2020, HFC has financial instruments with off-balance-sheet credit risk amounting to \$5,211,354 and \$6,859,704, respectively, and HFC has collected notes for installment payment on behalf of the

banks amounting to \$90,436 and \$169,714, respectively. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.

- iv. The Group 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.
- v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are past due over 90 days and are not expected to be recovered, the default has occurred.
- vi. The Group classified accounts receivable and contract assets based on customers’ default and used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. Not including the subsidiaries, Hotai Finance Co., Ltd., Hoyun International Lease Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$43,104.
- vii. Subsidiary, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd. used forecastability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. As of December 31, 2021 and 2020, the provision matrix is as follows:

<u>December 31, 2021</u>	<u>Not past due</u>	<u>Later than 31 to 60 days</u>	<u>Later than 61 to 90 days</u>	<u>Later than 91 to 120 days</u>	<u>Later than 121 to 150 days</u>	<u>Over 151 days</u>	<u>Total</u>
Total book value	\$ 208,270,199	\$ 471,249	\$ 253,201	\$ 187,611	\$ 127,510	\$ 410,656	\$ 209,720,426
Loss allowance	\$ 2,646,064	\$ 211,861	\$ 186,550	\$ 158,100	\$ 116,987	\$ 402,644	\$ 3,722,206

<u>December 31, 2020</u>	<u>Not past due</u>	<u>Later than 31 to 60 days</u>	<u>Later than 61 to 90 days</u>	<u>Later than 91 to 120 days</u>	<u>Later than 121 to 150 days</u>	<u>Over 151 days</u>	<u>Total</u>
Total book value	\$ 162,869,719	\$ 451,109	\$ 178,184	\$ 148,912	\$ 131,658	\$ 600,287	\$ 164,379,869
Loss allowance	\$ 2,256,137	\$ 202,307	\$ 131,353	\$ 125,375	\$ 122,988	\$ 532,273	\$ 3,370,433

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of December 31, 2021 and 2020 is provided in Note 12(5)A.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	2021	2020
	<u>Receivables</u>	<u>Receivables</u>
At January 1	\$ 3,414,181	\$ 2,677,141
Provision for impairment	1,731,188	1,943,268
Write-offs	(1,353,819)	(1,234,159)
Others	(8,962)	27,931
At December 31	<u>\$ 3,782,588</u>	<u>\$ 3,414,181</u>

Note : Including all the Group's consolidated entities.

For the years ended December 31, 2021 and 2020, gain on recoverable bad debts amounted to \$592,839 and \$572,276, respectively, presented as a deduction item to expected credit loss.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. As of December 31, 2021 and 2020, the Group's unused credit line amounted to \$86,372,762 and \$65,841,489, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled 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 and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

December 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 56,460,349	\$ 3,235,302	\$ 7,582,358
Short-term notes and bills payable	85,077,760	16,785,779	2,997,803
Notes payable	783,316	-	-
Accounts payable	8,794,001	-	-
Accrued expenses	6,957,640	-	-
Other payables	1,407,173	-	-
Commission payable	545,799	-	-
Lease liabilities	469,489	394,007	1,520,751
Bonds payable	77,900	77,900	12,334,873
Long-term loans (including current portion)	1,512,902	2,310,000	2,300,000

Non-derivative financial liabilities:

December 31, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 41,829,185	\$ 4,624,216	\$ 2,149,399
Short-term notes and bills payable	77,127,770	4,095,154	2,798,951
Notes payable	698,070	-	-
Accounts payable	10,710,299	-	-
Accrued expenses	6,143,160	-	-
Other payables	1,222,200	-	-
Commission payable	435,365	-	-
Lease liabilities	375,798	286,185	1,358,650
Bonds payable	2,457,976	49,000	7,113,170
Long-term loans (including current portion)	2,852,276	1,390,000	1,750,676

Derivative financial liabilities:

December 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ -	\$ 578,276
Forward exchange contracts	27,780	-	-

Derivative financial liabilities:

December 31, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 334,162	\$ -	\$ 20,889
Forward exchange contracts	62,171	-	-

- iv. Information on insurance contracts risk of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

(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 Group'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 Group's investment in derivative instruments is included in Level 2.

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

B. Fair value information of investment property at cost is provided in Note 6(14).

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, notes payable, accounts payable, accrued expenses, other payables, commission payables and bonds payable 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:

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,636,248	\$ -	\$ 437,495	\$ 3,073,743
Forward exchange contracts	-	10,987	-	10,987
Foreign exchange swap contracts	-	1,600	-	1,600
Bond investment	-	1,035,718	-	1,035,718
Equity securities	2,056,154	-	-	2,056,154
Exchange traded funds	1,933,425	-	-	1,933,425
Financial instruments	-	683,293	-	683,293
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,915,788	-	1,915,788
Equity securities	<u>8,932,741</u>	<u>-</u>	<u>366,770</u>	<u>9,299,511</u>
	<u>\$ 15,558,568</u>	<u>\$ 3,647,386</u>	<u>\$ 804,265</u>	<u>\$ 20,010,219</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 27,722	\$ -	\$ 27,722
Foreign exchange swap contracts	-	58	-	58
Derivative financial liabilities for hedging				
	<u>-</u>	<u>578,276</u>	<u>-</u>	<u>578,276</u>
	<u>\$ -</u>	<u>\$ 606,056</u>	<u>\$ -</u>	<u>\$ 606,056</u>

Note: Including operation bonds.

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,997,081	\$ -	\$ 383,543	\$ 3,380,624
Forward exchange contracts	-	8,347	-	8,347
Foreign exchange swap contracts	-	5,772	-	5,772
Bond investment	-	1,051,390	-	1,051,390
Equity securities	492,995	-	-	492,995
Exchange traded funds	1,228,862	-	-	1,228,862
Financial instruments	-	696,851	-	696,851
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,930,690	-	1,930,690
Equity securities	<u>7,742,990</u>	<u>-</u>	<u>346,148</u>	<u>8,089,138</u>
	<u>\$ 12,461,928</u>	<u>\$ 3,693,050</u>	<u>\$ 729,691</u>	<u>\$ 16,884,669</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 62,171	\$ -	\$ 62,171
Derivative financial liabilities for hedging	<u>-</u>	<u>355,051</u>	<u>-</u>	<u>355,051</u>
	<u>\$ -</u>	<u>\$ 417,222</u>	<u>\$ -</u>	<u>\$ 417,222</u>

Note: Including operation bonds.

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>	<u>Beneficiary certificates</u>	<u>Open-end fund</u>	<u>Exchange traded funds</u>
Market quoted price	Closing price	Closing price	Net asset value	Closing price
 - Except for financial instruments with active markets, domestic investments of the Company's subsidiary, Hotai Insurance Co., Ltd., take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value aside from infrastructure fund and real estate private placement fund that are assessed by balance sheet approach. 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 consolidated balance sheet date.

- iii. 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 Group 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. Forward foreign currency contracts are generally assessed using forward exchange rates.
- iv. The Group 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 Group's credit quality.

E. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2021</u>
	Beneficiary	Equity securities
	<u>certificates</u>	<u>certificates</u>
At January 1	\$ 383,543	\$ 346,148
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	20,622
Recorded as gains on financial assets at fair value through profit or loss	10,973	-
Acquired during the year	<u>42,979</u>	<u>-</u>
At December 31	<u>\$ 437,495</u>	<u>\$ 366,770</u>
	<u>2020</u>	<u>2020</u>
	Beneficiary	Equity securities
	<u>certificates</u>	<u>certificates</u>
At January 1	\$ 337,907	\$ 318,567
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	27,581
Recorded as gains on financial assets at fair value through profit or loss	13,470	-
Acquired during the year	<u>32,166</u>	<u>-</u>
At December 31	<u>\$ 383,543</u>	<u>\$ 346,148</u>

F. For the years ended December 31, 2021 and 2020, there was no transfer between Level 1, Level 2, and Level 3.

G. Treasury department 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.

H. 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, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 366,770	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.
Infrastructure fund and real estate private placement fund	437,495	Net assets value	Not applicable	Not applicable	Not applicable

	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	\$ 346,148	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.
Infrastructure fund and real estate private placement fund	383,543	Net assets value	Not applicable	Not applicable	Not applicable

I. The Group 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, 2021 and 2020.

(4) Other matters

The Group's operation was not affected by the Covid-19 outbreak and various preventive measures which were imposed by the government.

(5) The nature and range of contract risk governance of the subsidiary, Hotai Insurance Co., Ltd.

A. The objectives, policies, procedures and methods of risk governance on insurance contracts:

(a) Risk Governance Structure and Responsibilities

The subsidiary, Hotai Insurance Co., Ltd. has set up the Risk & Control Committee (RCC) under the Board of Directors as well as an independent risk management department in order to effectively plan, advocate and monitor risk management matters.

The subsidiary's goals in managing its risks are to:

- i. Protect the subsidiary's capital by not taking risks beyond the subsidiary's risk tolerance.

- ii. Enhance value creation and achieve an optimal risk-return profile by efficiently deploying capital.
- iii. Support decision making processes by providing consistent, reliable and timely risk information.
- iv. Protect the subsidiary's brand and reputation by fostering the subsidiary's core values and promoting a sound culture of risk awareness.

The "three lines of defense" approach runs through the subsidiary's risk governance structure, so that risks are clearly identified, owned, and managed:

1st line: Business management takes risks and is responsible for day-to-day risk management.

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance, finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

3rd line: The audit function provides independent assurance regarding the effectiveness of the ERM framework and risk controls.

In accordance with "Risk Management Practice Rules for Insurance Industry", the subsidiary has established "Risk Management Policy" which is approved by the subsidiary's Board of Directors, to establish its corporate risk management framework.

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

Pursuant to the regulatory authority's requirement, the subsidiary has performed sensitivity analysis, scenario analysis and stress test to understand the related risks which have quantitative influence on the subsidiary's performance.

(c) Insurance Risk and Underwriting Guidelines

Insurance risk management includes product development, pricing, underwriting, reinsurance, natural/man-made catastrophes, claims and reserve related risks. All of these risks are managed by the front-line responsible functions, such as underwriting, claims, technical management, product development and actuarial departments. According to the "Risk Management Policy," related functional policies and procedures, and local regulations, the Risk management framework and mechanism are designed and embedded

into day-to-day operations, which includes authorization, operational process and risk-type limit monitoring, etc. The Risk Policy adherence self-assessment checklist and Risk Management Practice Rules for Insurance Industry checklist should be filled in by risk-type owners annually, in order to comply with the requirements of “Risk Management Policy” and “Risk Management Practice Rules for Insurance Industry”.

(d) Total Risk Profiling and Insurance Risk Management

The subsidiary adopts the Total Risk Profiling (TRP) methodology to identify, assess, response and document its overall risks (incl. Business and Strategic Risk, Insurance Risk, Operational Risk, ALM / Investment / Credit Risk, and Financial Reporting Risk that can have an impact on the sustainability of Earnings, Capital and Reputation) systematically across the subsidiary. The risk management department coordinates the TRP efforts and provides quality assurance with all departments within their areas of responsibilities. The implementation status of improvement actions will be reviewed quarterly according to the fall TRP results in the previous year. The insurance risks (incl. product development, pricing, underwriting, reinsurance, natural / man-made catastrophes, claims, reserve and so on) are covered in the TRP process as well.

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the “Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”. The net retention limit per risk for each line of business is listed below:

<u>Line of Business</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fire insurance	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000
Long-term residential fire insurance	50,000	50,000
Residential fire insurance	50,000	50,000
Marine cargo insurance	20,000	20,000
Inland marine insurance	20,000	20,000
Automobile insurance	Nil	Nil
General liability insurance	50,000	50,000
Engineering insurance	50,000	50,000
Fidelity insurance	60,000	60,000
Other property insurance	50,000	50,000
Personal accident insurance	50,000	50,000

In addition to control the own-retention limit per risk/catastrophe for confining risk exposures, the subsidiary, in accordance with the characteristics of each line of insurance business and to align with operational strategies, arranges reinsurance contracts or arranges facultative reinsurance to appropriately spread the subsidiary’s endured risk. For the credit risk of main reinsurers, the subsidiary considers their credit rating, financial status, and location to ensure that the subsidiary has a stable and appropriate reinsurance coverage.

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary's asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions.

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary's RBC ratio ((adjusted net capital / risk-based capital) X 100%) is in compliance with the regulatory requirement of "no lower than 200%."

(6) Credit risk, liquidity risk and market risk of insurance contract

The insurance contracts of the subsidiary, Hotai Insurance Co., Ltd. are all short-term policies and the reserves are not discounted; therefore, there is no significant impact in the interest rate risk.

A. Credit risk

- (a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other financial assets based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.
- (b) Except for using historical loss rate as a basis and forecastable macroeconomic information to estimate expected credit loss in line with IAS, the subsidiary, Hotai Insurance Co., Ltd. also provisioned allowance for loss in line with "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts" and related procedures.
- (c) The subsidiary, Hotai Insurance Co., Ltd., adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk 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 bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.
- (d) The subsidiary, Hotai Insurance Co., Ltd., adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:
 - i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.
 - ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.

- iii. If the Company actively clears these financial assets in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”, and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Company will continue executing the recourse procedures to secure their rights.
- (e) As of December 31, 2021 and 2020, the subsidiary, Hotai Insurance Co., Ltd., included receivables (excluding interest receivables from bonds and interest receivables from time deposits) and other assets (excluding operating bonds and restricted time deposits) into the group whose impairment should be assessed and the expected loss rates are as follows:

	December 31, 2021		
	Significant		
	increase in credit		
	12 months	risk	Impairment of credit
	Not past due or		
	not over 30 days	Over 30 days	Over 90 days
Expected loss rate	0%	0%	0%
Total book value	\$ 1,019,194	\$ -	\$ 160
Loss allowance	9,000	-	160

	December 31, 2020		
	Significant		
	increase in credit		
	12 months	risk	Impairment of credit
	Not past due or		
	not over 30 days	Over 30 days	Over 90 days
Expected loss rate	0%	0%	100%
Total book value	\$ 875,366	\$ -	\$ 160
Loss allowance	-	-	160

The provision of allowance for loss referred to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the years ended December 31, 2021 and 2020, the movement of allowance for loss are as follows:

	2021				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
At January 1	\$ -	\$ -	\$ 160	\$ 12,712	\$ 12,872
Provisions during the period	-	-	-	13,403	13,403
At December 31	\$ -	\$ -	\$ 160	\$ 26,115	\$ 26,275

	2020				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the "Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts"	Total
At January 1	\$ -	\$ -	\$ 160	\$ 14,153	\$ 14,313
Provisions during the period	-	-	-	(1,441)	(1,441)
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 12,712</u>	<u>\$ 12,872</u>

As of December 31, 2021 and 2020, the allowance for loss of abovementioned financial assets was \$26,275 and \$12,872, respectively, and the maximum exposure to credit risk was \$993,253 and \$862,654, respectively.

- (f) As of December 31, 2021 and 2020, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income (including operating bonds), interest receivables from bonds, non-short term time deposits (excluding valuation adjustment) and interest receivables from time deposits amounting to \$3,639,966 and \$3,527,217, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
tw AAA	\$ 877,651	\$ 886,942
tw AA+	433,262	442,523
tw AA	495,366	446,975
tw AA-	922,900	894,248
tw A+	336,112	341,256
tw A	470,990	428,987
tw A-	<u>103,685</u>	<u>86,286</u>
	<u>\$ 3,639,966</u>	<u>\$ 3,527,217</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.07% and 0%~0.07%, respectively, the amounts of allowance for loss were \$592 and \$581 respectively, and the maximum exposure amounts were \$3,639,374 and \$3,526,636, respectively. Aforementioned amounts of allowance for loss were using the forecastability of Standard & Poor's research report to adjust historical and timely information to assess the expected loss rate. For the years ended December 31, 2021 and 2020, the movements of allowance for loss are as follows:

	2021	2020
At January 1	\$ 581	\$ 633
Provisions (amounts reversed) during the year	<u>11</u>	<u>(52)</u>
At December 31	<u>\$ 592</u>	<u>\$ 581</u>

- (g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of

expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the years ended December 31, 2021 and 2020, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Year ended December 31, 2021

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 2,449	0.12
AA	442,803	20.52
AA-	64,765	3.00
A++	358	0.02
A+	940,386	43.58
A	126,092	5.84
A-	9,705	0.45
BBB+	32,656	1.51
Unrated	538,525	24.96
Total	\$ 2,157,739	100.00

Year ended December 31, 2020

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 2,767	0.14
AA	2,854	0.15
AA-	462,274	23.62
A++	4,254	0.22
A+	892,284	45.59
A	74,337	3.80
A-	8,268	0.42
Unrated	510,117	26.06
Total	\$ 1,957,155	100.00

Note: Compulsory automobile insurance and residential earthquake insurance are excluded.

B. Liquidity risk management

Liquidity risk is the risk that the subsidiary, Hotai Insurance Co., Ltd. may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The subsidiary is not exposed to liquidity risk as there is no need for the subsidiary to hold adequate current assets to fulfill the financial liabilities as they become due or use higher costs to settle relevant financial liabilities.

(a) Cash flow control and hedging strategy

With the following controls and hedge strategies, the working capital of the subsidiary, Hotai Insurance Co., Ltd. is sufficient to meet insurance services and operational needs,

and no liquidity risk is expected.

- i. The investment in debt instruments and equity instruments are mostly traded in the active market and can be expected to be disposed at the price close to fair value.
- ii. To make sure liquidity fund fulfill the liabilities when they fall due or capital requirements, the subsidiary manages liquidity through bank deposits and money market instruments.
- iii. To make sure the effectiveness of liquidity risk management, cash flow analysis is employed, the subsidiary generates yearly and monthly net cash flow forecast according to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

To effectively manage liquidity risk, except for holding a considerable portion of current assets, the subsidiary also limits the proportion of investment amount and reviews current assets and liabilities on a regular basis to ensure that above requirement is fully supported.

The table below analyses the insurance liabilities and non-derivative financial liabilities of the subsidiary, Hotai Insurance Co., Ltd., based on the remaining period at the balance sheet date to the contractual maturity date.

i. Non-derivative financial liabilities

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2021</u>				
Insurance liabilities	\$ 8,029,411	\$ 2,350,482	\$ 183,219	\$ 1,922,258
Payables	1,445,680	-	-	-
Deposits-in	2,125	2,186	-	-
Lease liabilities	54,789	65,277	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2020</u>				
Insurance liabilities	\$ 7,238,192	\$ 1,733,844	\$ 165,647	\$ 1,915,323
Payables	1,174,055	-	-	-
Deposits-in	1,995	2,865	-	-
Lease liabilities	56,371	65,847	-	-

ii. Derivatives

On December 31, 2021, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

Market risk refers to the risk of changes in values or cash flows of accounts on the subsidiary, Hotai Insurance Co., Ltd.'s financial statements due to changes in financial markets. Major risk factors are as follows:

- Equity market prices
- Interest rate and credit spreads
- Currency exchange rates

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of “assets allocation strategy”. In compliance with the subsidiary’s “Risk Management Policy”, the subsidiary’s “Investment Policy Statement”, and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.’s current risk management mechanism in terms of individual risk factor:

(a) Price risk

The price risk is arising from the uncertainty of the prices of beneficiary certificates. However, the subsidiary Hotai Insurance Co., Ltd. has appropriately spread the price risk through diversified portfolio to decrease the risk of investments centralised in any specific industry or issuance institution.

With other conditions unchanged, the reasonable sensitivity analysis on stock price change is shown below:

	December 31, 2021		
	Change of variables		Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 529,065
	Decrease in price	10%	(529,065)
	December 31, 2020		
	Change of variables		Change in other comprehensive Income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 338,336
	Decrease in price	10%	(338,336)

(b) Interest rate risk

Interest rate risk refers to the risk from market interest rate change which results in change of fair value of financial instruments. The major investment for the subsidiary, Hotai Insurance Co., Ltd., is fixed interest rate debt investment. Increase in interest rate will result in decrease in fair value. However, due to focus on long-term stability and predictable income, the short-term interest rate change would have insignificant impact to the subsidiary. Thus, no major interest rate risk is expected.

With other conditions unchanged, the reasonable sensitivity analysis on interest rate change is shown below:

	December 31, 2021		
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 89,211)
	Decrease in interest rate	100 basis point	89,211

December 31, 2020			
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 105,579)
	Decrease in interest rate	100 basis point	105,579

(c) Foreign exchange risk

Foreign exchange risk refers to the risk from fluctuations in fair value of assets or future cash flow due to foreign exchange volatility.

The major foreign exchange risk of the subsidiary, Hotai Insurance Co., Ltd., results from US dollar position. The US dollar foreign exchange rate is shown below:

	December 31, 2021	December 31, 2020
Foreign exchange rate	27.66	28.10

The US dollar assets and liabilities are shown as below:

	December 31, 2021	December 31, 2020
USD Assets	USD 48,984 thousand	USD 46,045 thousand
USD Liabilities	USD 890 thousand	USD 611 thousand

Foreign exchange risk will affect the subsidiary, Hotai Insurance Co., Ltd.'s foreign currency denominated assets and liabilities. All foreign currency denominated investment assets held by the subsidiary has been commissioned by investors for hedging, using the foreign exchange swap contracts to effectively control the risk.

Under the circumstance that other variables remain unchanged and after deducting the nominal principal of hedge items, the sensitivity analysis for reasonable fluctuations in exchange rates is as follows:

December 31, 2021		
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	(\$ 31,032)
	Depreciate 5% against NTD	31,032
December 31, 2020		
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	(\$ 28,282)
	Depreciate 5% against NTD	28,282

(7) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance.

Among them, as the subject matters of transportation insurance, automobile insurance, and personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The

subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control.

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the years ended December 31, 2021 and 2020, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

<u>Line of Business</u>	<u>Year ended December 31, 2021</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,521,650	\$ 614,537
Engineering insurance	145,627	46,524

<u>Line of Business</u>	<u>Year ended December 31, 2020</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,427,109	\$ 586,228
Engineering insurance	190,793	57,876

The subsidiary, Hotai Insurance Co., Ltd., has established catastrophe claims system to record losses of various line of insurance businesses and risks assumed by the subsidiary, including earthquake, typhoon, fire accident, air crash, and man-made catastrophes. The system also provides information for reinsurance brokers to implement catastrophe measurement models and perform analysis on expected occurrence years such as 10 years, 50 years, 100 years, and 250 years. The model covers fire insurance, engineering insurance, marine insurance, automobile insurance, as well as earthquake and typhoon risks. The model provides monthly report of cumulative risk assessment for the purpose of monitoring the risk. With strict reinsurance strategies and arrangements, as well as system monitoring cumulative risk, the subsidiary, Hotai Insurance Co., Ltd., can appropriately and effectively prevent high risk concentration to achieve a goal of risk dispersion.

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the years ended December 31, 2021 and 2020 and the result is shown below:

<u>Line of Business</u>	Year ended December 31, 2021			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	Increase in claim	Increase in	Decrease in	Decrease in
	reserve before	claim reserve	claim reserve	claim reserve
	<u>reinsurance</u>	<u>after reinsurance</u>	<u>before</u>	<u>after reinsurance</u>
Automobile property damage insurance	\$ 206,101	\$ 177,968	\$ 206,101	\$ 177,968
Automobile third party liability insurance	100,528	89,485	100,528	89,485
Personal property insurance	4,226	3,341	4,226	3,341
Commercial property insurance	64,117	24,974	64,117	24,974
Liability insurance	50,898	39,760	50,898	39,760
Marine cargo insurance	11,449	8,656	11,449	8,656
Engineering insurance	7,309	2,123	7,309	2,123
Personal accident insurance	53,404	51,726	53,404	51,726
Health insurance	10,381	9,533	10,381	9,533
Foreign inward reinsurance	342	307	342	307

<u>Line of Business</u>	Year ended December 31, 2020			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	Increase in claim	Increase in	Decrease in	Decrease in
	reserve before	claim reserve	claim reserve	claim reserve
	<u>reinsurance</u>	<u>after reinsurance</u>	<u>before</u>	<u>after reinsurance</u>
Automobile property damage insurance	\$ 175,294	\$ 151,971	\$ 175,294	\$ 151,971
Automobile third party liability insurance	80,888	72,209	80,888	72,209
Personal property insurance	5,001	3,610	5,001	3,610
Commercial property insurance	55,861	21,509	55,861	21,509
Liability insurance	40,232	30,185	40,232	30,185
Marine cargo insurance	9,718	7,402	9,718	7,402
Engineering insurance	6,638	1,901	6,638	1,901
Personal accident insurance	51,993	49,418	51,993	49,418
Health insurance	7,234	5,649	7,234	5,649
Foreign inward reinsurance	843	771	843	771

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the years ended December 31, 2021 and 2020.

C. Loss development pattern

As of December 31, 2021 and 2020, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows :

(a) Direct business

Unit: NTD

December 31, 2021	Accident Year					
Development Year	≤2017	2018	2019	2020	2021	Total
End of underwriting year	\$25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,769,156	-	
Two years after underwriting year	24,968,656	2,510,423	3,690,307	-	-	
Three years after underwriting year	24,736,988	2,427,157	-	-	-	
Four years after underwriting year	24,684,232	-	-	-	-	
Estimated ultimate losses	24,684,232	2,427,157	3,690,307	4,769,156	5,811,398	
Paid losses	(24,115,950)	(2,207,836)	(3,155,441)	(3,937,503)	(3,109,276)	
Total reserve	<u>\$ 568,282</u>	<u>\$ 219,321</u>	<u>\$ 534,866</u>	<u>\$ 831,653</u>	<u>\$ 2,702,122</u>	\$ 4,856,244
Adjustment item (Note)						453,326
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 5,309,570</u>

December 31, 2020	Accident Year					
Development Year	≤2016	2017	2018	2019	2020	Total
End of underwriting year	\$23,947,995	\$ 1,788,662	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	
One year after underwriting year	23,665,037	1,806,176	2,563,399	3,730,672	-	
Two years after underwriting year	23,490,076	1,602,243	2,510,423	-	-	
Three years after underwriting year	23,366,414	1,558,542	-	-	-	
Four years after underwriting year	23,178,446	-	-	-	-	
Estimated ultimate losses	23,178,446	1,558,542	2,510,423	3,730,672	4,699,953	
Paid losses	(22,770,563)	(1,361,197)	(2,185,691)	(3,143,327)	(2,913,710)	
Total reserve	<u>\$ 407,883</u>	<u>\$ 197,345</u>	<u>\$ 324,732</u>	<u>\$ 587,345</u>	<u>\$ 1,786,243</u>	\$ 3,303,548
Adjustment item (Note)						352,073
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 3,655,621</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

(b) Retention business

Unit: NTD

December 31, 2021	Accident Year					
Development Year	≤2017	2018	2019	2020	2021	Total
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	
One year after underwriting year	16,596,248	2,293,058	3,224,195	4,130,722	-	
Two years after underwriting year	16,409,073	2,237,166	3,193,907	-	-	
Three years after underwriting year	16,228,651	2,167,503	-	-	-	
Four years after underwriting year	16,246,061	-	-	-	-	
Estimated ultimate losses	16,246,061	2,167,503	3,193,907	4,130,722	4,559,471	
Paid losses	(15,882,867)	(2,006,557)	(2,820,197)	(3,517,360)	(2,722,061)	
Total reserve	<u>\$ 363,194</u>	<u>\$ 160,946</u>	<u>\$ 373,710</u>	<u>\$ 613,362</u>	<u>\$ 1,837,410</u>	\$ 3,348,622
Adjustment item (Note)						299,102
						<u>\$ 3,647,724</u>

December 31, 2020	Accident Year					
Development Year	≤2016	2017	2018	2019	2020	Total
End of underwriting year	\$ 15,296,560	\$ 1,351,056	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	
One year after underwriting year	15,344,171	1,375,530	2,293,058	3,224,195	-	
Two years after underwriting year	15,220,719	1,282,986	2,237,166	-	-	
Three years after underwriting year	15,126,086	1,250,169	-	-	-	
Four years after underwriting year	14,978,482	-	-	-	-	
Estimated ultimate losses	14,978,482	1,250,169	2,237,166	3,224,195	4,058,783	
Paid losses	(14,719,807)	(1,129,990)	(1,988,256)	(2,803,933)	(2,591,656)	
Total reserve	<u>\$ 258,675</u>	<u>\$ 120,179</u>	<u>\$ 248,910</u>	<u>\$ 420,262</u>	<u>\$ 1,467,127</u>	\$ 2,515,153
Adjustment item (Note)						239,877
						<u>\$ 2,755,030</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

Based on the table above, the estimated cumulative loss amount of each accident year is estimated based on the current available information, however, the actual amounts may be deviated from the estimation due to the loss development in the following years.

- (8) The subsidiary-Hotai Insurance Co., Ltd. assets and liabilities recoverable or payable within or over 12 months after the balance sheet date are as follows:

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,601,617	\$ 4,601,617	\$ -
Receivables	918,846	918,846	-
Financial assets at fair value through profit or loss	5,827,968	5,292,250	535,718
Financial assets at fair value through other comprehensive income	1,615,489	322,124	1,293,365
Other financial assets	1,679,537	1,569,219	110,318
Right-of-use assets	118,045	-	118,045
Investment property	575,527	-	575,527
Reinsurance contract assets	3,125,902	2,396,571	729,331
Property and equipment	3,173,583	-	3,173,583
Intangible assets	135,332	-	135,332
Other assets	650,943	220,898	430,045
<u>Liabilities</u>			
Payables	\$ 1,445,680	\$ 1,445,680	\$ -
Current income tax liabilities	95,167	95,167	-
Financial liabilities at fair value through profit or loss	58	58	-
Insurance liabilities	13,358,375	8,902,416	4,455,959
Lease liabilities	118,752	54,789	63,963
Other liabilities	97,410	95,224	2,186

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2020</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,366,750	\$ 4,366,750	\$ -
Receivables	782,100	782,100	-
Financial assets at fair value through profit or loss	3,940,519	3,389,129	551,390
Financial assets at fair value through other comprehensive income	1,630,391	28,634	1,601,757
Other financial assets	1,623,129	1,590,181	32,948
Right-of-use assets	118,631	-	118,631
Investment property	351,672	-	351,672
Reinsurance contract assets	2,155,788	1,600,071	555,717
Property and equipment	2,957,004	-	2,957,004
Intangible assets	84,233	-	84,233
Other assets	625,541	181,584	443,957
<u>Liabilities</u>			
Payables	\$ 1,174,055	\$ 1,174,055	\$ -
Current income tax liabilities	56,035	56,035	-
Insurance liabilities	11,053,006	7,238,192	3,814,814
Lease liabilities	120,456	56,371	64,085
Other liabilities	75,365	72,500	2,865

(9) The subsidiary-Hotai Insurance Co., Ltd.'s related information on commissioned investments

Beginning on December 12, 2018, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Uni-President Assets Management Corp. to commission Uni-President Assets Management Corp. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000. The Company adjusted the commissioned investment amounts in Uni-President Assets Management Corp. to \$860,000 in July 2020, to \$920,000 in December 2020, to \$1,050,000 in March 2021 and to \$1,200,000 in June 2021.

Beginning on March 24, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Cathay Securities Investment Trust to commission Cathay Securities Investment Trust to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$800,000.

Beginning on April 6, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with JIH SUN SECURITIES CO.,LTD.to commission JIH SUN SECURITIES CO.,LTD. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000.

Beginning on July 31, 2017, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Yuanta Securities Investment Trust Company Limited ("Yuanta Funds") to commission Yuanta Funds to manage the investment in domestic listed

companies' stocks and short-term notes and bills totaling \$500,000. However, the subsidiary, Hotai Insurance Co., Ltd. adjusted the commissioned investment amounts in Yuanta Funds to \$700,000 in November 2018 and to \$890,778 in November 2019. The Company terminated the discretionary investment management contract signed with Yuanta Funds on October 31, 2020.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited ("JPMorgan"), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations.

(10) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention earned premiums is shown below:

Category of insurance	Year ended December 31, 2021					
	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 437,267	\$ 168,098	\$ 174,016	\$ 431,349	\$ 12,521	\$ 418,828
Elective insurance	10,722,382	259,588	2,271,184	8,710,786	518,303	8,192,483
	11,159,649	427,686	2,445,200	9,142,135	530,824	8,611,311
Discount	6	-	-	6	-	6
	\$ 11,159,655	\$ 427,686	\$ 2,445,200	\$ 9,142,141	\$ 530,824	\$ 8,611,317

	Year ended December 31, 2020					
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 391,611	\$ 154,853	\$ 155,042	\$ 391,422	\$ 12,866	\$ 378,556
Elective insurance	<u>9,663,337</u>	<u>236,475</u>	<u>2,075,871</u>	<u>7,823,941</u>	<u>906,448</u>	<u>6,917,493</u>
	10,054,948	391,328	2,230,913	8,215,363	919,314	7,296,049
Discount	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
	\$ 10,054,952	\$ 391,328	\$ 2,230,3913	\$ 8,215,367	\$ 919,314	\$ 7,296,053

(11) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention claim expenditures is shown below:

Year ended December 31, 2021					
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)	
Compulsory insurance	\$ 278,632	\$ 130,811	\$ 164,930	\$ 244,513	
Elective insurance	4,109,024	16,717	434,479	3,691,262	
	<u>\$ 4,387,656</u>	<u>\$ 147,528</u>	<u>\$ 599,409</u>	<u>\$ 3,935,775</u>	
Year ended December 31, 2020					
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)	
Compulsory insurance	\$ 253,095	\$ 139,011	\$ 151,321	\$ 240,785	
Elective insurance	3,861,098	17,976	409,686	3,469,388	
	<u>\$ 4,114,193</u>	<u>\$ 156,987</u>	<u>\$ 561,007</u>	<u>\$ 3,710,173</u>	

(12) Financial information of compulsory automobile insurance:

The subsidiary, Hotai Insurance Co., Ltd., sets independent accounting for its compulsory automobile liability insurance in accordance with Compulsory Automobile Liability Insurance Act, recording the insurance' business and financial condition.

A. Balance sheets for compulsory automobile liability insurance are as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Assets		
Cash and cash equivalents	\$ 1,669,184	\$ 1,605,648
Notes receivable	5,815	2,522
Premiums receivable	7,135	6,546
Claims recoverable from reinsurers	19,416	12,486
Due from reinsurance and ceding companies	15,742	19,023
Ceded unearned premium reserve	90,900	81,615
Ceded claim reserve	141,825	106,864
Temporary payments and suspense accounts	<u>63</u>	<u>4,018</u>
Total assets	<u>\$ 1,950,080</u>	<u>\$ 1,838,722</u>
Liabilities		
Claims payable	\$ 10,490	\$ 165
Due to reinsurance and ceding companies	17,025	17,510
Unearned premium reserve	244,742	222,936
Claims reserve	359,828	288,042
Special reserve	1,317,951	1,308,654
Temporary payments and suspense accounts	<u>44</u>	<u>1,415</u>
Total liabilities	<u>\$ 1,950,080</u>	<u>\$ 1,838,722</u>

As of December 31, 2021 and 2020, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,553,013 and \$1,500,613, respectively, shown as other financial assets in the balance sheets.

B. Details of revenues and costs for compulsory automobile liability insurance are as follows:

	Years ended December 31,	
	2021	2020
Operating revenues		
Written premiums	\$ 290,022	\$ 258,402
Reinsurance premiums	168,098	154,853
Less: Reinsurance premiums ceded	(174,016)	(155,042)
Net change in unearned premium reserve	(12,521)	(12,866)
Retention earned premiums	271,583	245,347
Interest income	9,880	10,780
	<u>\$ 281,463</u>	<u>\$ 256,127</u>
Operating costs		
Claim expenditures	\$ 278,632	\$ 253,095
Reinsurance claim expenditures	130,811	139,011
Less: Reinsurance claims recovery	(164,930)	(151,321)
Retention claim expenditures	244,513	240,785
Net change in claims reserve	36,825	13,410
Net change in special reserve	9,297	1,932
	<u>\$ 290,635</u>	<u>\$ 256,127</u>

(13) Capital management- Hotai Insurance Co., Ltd.

The primary objectives of the subsidiary, Hotai Insurance Co., Ltd., when managing capital are to safeguard capital adequacy and solvency of the subsidiary in order to support the subsidiary's sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The subsidiary, Hotai Insurance Co., Ltd. calculates the capital adequacy ratio once every half year in accordance with "Regulations Governing Capital Adequacy of Insurance Enterprises" to ensure that it can continuously meet the statutory capital requirement. In addition, net worth ratio will be included in the monitor indicators of capital adequacy ratio.

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies", and the capital adequacy ratio exceeded 300% within the last two years and was compliant with regulations.

Under Article 15 of "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the net worth ratios of the subsidiary, Hotai Insurance Co., Ltd., as of

December 31, 2021 and 2020 were 32.28% and 32.64%, respectively.

- (14) The total amount of current assets and liabilities of the subsidiary, Hotai Finance Co., Ltd., that are expected to be recovered and repaid within or over 12 months

<u>December 31, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,058,573	\$ 1,058,573	\$ -
Accounts and notes receivable, net	180,626,267	67,839,669	112,786,598
Other receivables	69,294	69,294	-
Inventories	2,976	2,976	-
Prepayments	6,629,871	4,348,752	2,281,119
Other current financial assets	439,157	409,157	30,000
<u>Liabilities</u>			
Short-term borrowings	\$ 57,098,277	\$ 46,454,154	\$ 10,644,123
Short-term notes and bills payable	96,914,188	77,130,606	19,783,582
Current financial liabilities for hedging	578,276	-	578,276
Notes payable	685,111	685,111	-
Accounts payable (including related parties)	313,806	313,806	-
Other payables	2,960,046	2,960,046	-
Current income tax liabilities	512,634	512,634	-
Lease liabilities-current	136,059	136,059	-
Bonds payable	12,200,000	-	12,200,000
Financial guarantee liabilities-current	53,707	53,707	-
Guarantee deposits received - current	3,707,171	1,549,677	2,157,494
Other current liabilities, others	61,293	61,293	-
<u>December 31, 2020</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 390,420	\$ 390,420	\$ -
Accounts and notes receivable, net	142,689,830	55,775,693	86,914,137
Other receivables	66,572	66,572	-
Inventories	4,221	4,221	-
Prepayments	6,321,368	4,491,803	1,829,565
Other current financial assets	365,275	245,275	120,000
<u>Liabilities</u>			
Short-term borrowings	\$ 41,957,854	\$ 35,238,042	\$ 6,719,812
Short-term notes and bills payable	75,993,267	69,099,162	6,894,105
Current financial liabilities for hedging	355,051	334,162	20,889
Notes payable	617,213	617,213	-
Accounts payable (including related parties)	618,150	618,150	-
Other payables	1,819,304	1,819,304	-
Current income tax liabilities	573,342	573,342	-
Lease liabilities-current	131,332	131,332	-
Bonds payable	9,400,000	2,400,000	7,000,000
Long-term liabilities, current portion	222,276	222,276	-
Financial guarantee liabilities-current	69,928	69,928	-
Guarantee deposits received - current	2,984,260	1,244,161	1,740,099
Other current liabilities, others	29,222	29,222	-

13. Supplementary Disclosures

Related information of significant transactions are as follows:

(1) 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, 2021:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 421,750	2022/1/10~2022/4/14	(\$ 16,735)	(\$ 16,735)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 25,010	2022/1/4~2022/3/31	1,542	1,542
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 33,800,000	2023/8/7~2024/9/9	(578,276)	(578,276)

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

(2) Information on investees

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

(3) 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.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Company considers the business from an operating perspective, and the reportable operating segments are as follows:

A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of December 31, 2021, the Company's self-owned capital ratio was 78%.

B. Installment trading segments: trading various vehicles in installments.

C. Leasing segments: leasing of various vehicles in installments.

D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.

B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

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

	Year ended December 31, 2021					
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 133,489,557	\$ 11,522,435	\$ 24,025,459	\$ 77,879,573	\$ -	\$ 246,917,024
Inter-segment revenue (Note)	15,556,959	685,537	1,154,494	15,731,261	(33,128,251)	-
Total segment revenue	\$ 149,046,516	\$ 12,207,972	\$ 25,179,953	\$ 93,610,834	(\$ 33,128,251)	\$ 246,917,024
Segment income (loss) (Note)	\$ 18,709,403	\$ 3,954,393	\$ 2,390,731	\$ 14,256,448	(\$ 14,340,316)	\$ 24,970,659
Depreciation and amortization	\$ 104,055	\$ 227,608	\$ 9,630,630	\$ 994,680	(\$ 204,035)	\$ 10,752,938
Income expense	\$ 2,498,645	\$ 824,750	\$ 595,047	\$ 1,494,127	\$ -	\$ 5,412,569
Gain on investments accounted for using equity method	\$ 8,286,264	\$ 371,092	\$ 412,417	\$ 7,208,196	(\$ 14,270,496)	\$ 2,007,473
Segment assets	\$ 94,565,824	\$ 175,872,557	\$ 68,436,852	\$ 113,327,108	(\$ 102,589,557)	\$ 349,612,784
Segment liabilities	\$ 20,794,972	\$ 152,129,093	\$ 57,931,570	\$ 29,730,529	(\$ 5,439,345)	\$ 255,146,819

Items	Year ended December 31, 2020					
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 131,181,239	\$ 9,354,634	\$ 21,242,447	\$ 70,034,949	\$ -	\$ 231,813,269
Inter-segment revenue (Note)	<u>12,973,703</u>	<u>445,894</u>	<u>1,345,165</u>	<u>12,316,378</u>	<u>(27,081,140)</u>	<u>-</u>
Total segment revenue	<u>\$ 144,154,942</u>	<u>\$ 9,800,528</u>	<u>\$ 22,587,612</u>	<u>\$ 82,351,327</u>	<u>(\$ 27,081,140)</u>	<u>\$ 231,813,269</u>
Segment income (loss) (Note)	<u>\$ 16,201,618</u>	<u>\$ 3,265,584</u>	<u>\$ 1,613,289</u>	<u>\$ 10,647,800</u>	<u>(\$ 10,603,406)</u>	<u>\$ 21,124,885</u>
Depreciation and amortization	<u>\$ 96,972</u>	<u>\$ 199,870</u>	<u>\$ 8,360,580</u>	<u>\$ 402,053</u>	<u>\$ 612,509</u>	<u>\$ 9,671,984</u>
Income expense	<u>\$ 2,352,748</u>	<u>\$ 680,033</u>	<u>\$ 394,754</u>	<u>\$ 1,162,140</u>	<u>\$ -</u>	<u>\$ 4,589,675</u>
Gain on investments accounted for using equity method	<u>\$ 6,270,255</u>	<u>\$ 221,363</u>	<u>\$ 209,137</u>	<u>\$ 5,415,104</u>	<u>(\$ 10,581,067)</u>	<u>\$ 1,534,792</u>
Segment assets	<u>\$ 83,719,774</u>	<u>\$137,533,016</u>	<u>\$ 58,871,611</u>	<u>\$ 97,386,773</u>	<u>(\$ 87,020,642)</u>	<u>\$ 290,490,532</u>
Segment liabilities	<u>\$ 18,242,069</u>	<u>\$116,038,638</u>	<u>\$ 50,243,234</u>	<u>\$ 25,398,731</u>	<u>(\$ 3,317,482)</u>	<u>\$ 206,605,190</u>

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

A. The Company's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.

B. The total assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the Company's financial statements.

(5) Information on products and services

Revenue from external customers is primarily derived from the exclusive agent of Toyota and Hino products segment and leasing segment.

Details of revenue balance are as follows:

	Year ended December 31,	
	2021	2020
Sales revenue	\$ 203,265,998	\$ 194,849,141
Rental revenue	15,296,543	13,563,900
Interest revenue	12,392,244	9,877,529
Premium	8,540,632	7,212,199
Others	<u>7,421,607</u>	<u>6,310,500</u>
	<u>\$ 246,917,024</u>	<u>\$ 231,813,269</u>

(6) Geographical information

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

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue (Note)	Non-current assets	Revenue (Note)	Non-current assets
Taiwan	\$ 216,988,372	\$ 81,400,319	\$ 202,676,292	\$ 70,469,095
Mainland China	<u>29,928,652</u>	<u>4,874,280</u>	<u>29,136,977</u>	<u>6,629,204</u>
	<u>\$ 246,917,024</u>	<u>\$ 86,274,599</u>	<u>\$ 231,813,269</u>	<u>\$ 77,098,299</u>

Note: Revenue is categorized based on the locations of customers.

(7)Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$27,635,662	Distributor of Toyota and Hino products	\$27,194,578	Distributor of Toyota and Hino products
B	25,312,390	"	24,627,557	"
C	19,809,896	"	20,070,605	"
D	18,715,536	"	17,844,886	"

Ho Tai Motor Co., Ltd.

Loans to others

Year ended December 31, 2021

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

Table 1

Maximum outstanding balance during the year ended																		
Number	Creditor	Borrower	General ledger account	Related party	Balance at		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote	
					December 31, 2021	December 31, 2021							Item	Value				
																		\$
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 527,483	\$ 521,125	\$ 12,594	2.15%	Short-term financing	-	Operations	\$ -	None	-	\$ 1,277,140	\$ 2,554,281	Note 1	
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	261,803	260,563	25,622	2.15%	"	-	"	-	"	-	484,946	969,892	"	
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	131,871	130,281	-	2.15%	"	-	"	-	"	-	178,704	357,407	"	
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	370,888	369,130	137,143	2.15%	"	-	"	-	"	-	699,533	1,399,066	"	
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	571,440	534,153	34,611	2.15%	"	-	"	-	"	-	976,656	1,953,312	"	
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,854	7,817	-	2.15%	"	-	"	-	"	-	10,621	21,241	"	
7	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	5,236	5,211	-	2.15%	"	-	"	-	"	-	12,946	25,892	"	
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	175,828	173,708	-	2.15%	"	-	"	-	"	-	291,518	583,037	"	
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	174,535	173,708	77,952	2.15%	"	-	"	-	"	-	303,147	606,295	"	
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	100,358	99,882	71,828	2.15%	"	-	"	-	"	-	181,185	362,370	"	
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	347,417	86,463	2.15%	"	-	"	-	"	-	513,533	1,027,067	"	
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	43,634	43,427	-	3.35%	"	-	"	-	"	-	102,707	205,413	Note 4	
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	347,417	255,004	2.15%	"	-	"	-	"	-	512,788	1,025,576	Note 1	
13	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	153,849	17,371	17,154	2.15%	"	-	"	-	"	-	230,585	461,170	"	
14	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	174,535	173,708	138,359	2.15%	"	-	"	-	"	-	312,258	624,516	"	
15	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	79,122	60,798	-	2.15%	"	-	"	-	"	-	109,862	219,724	"	
16	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	263,741	217,136	216,354	2.15%	"	-	"	-	"	-	357,629	715,259	"	
17	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	307,698	303,990	247,708	2.15%	"	-	"	-	"	-	455,324	910,649	"	
18	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	130,902	130,281	26,795	2.15%	"	-	"	-	"	-	259,315	518,630	"	
19	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	Hotong Motor Investment Co., Ltd.	"	Y	34,907	34,742	21,714	2.15%	"	-	"	-	"	-	47,996	95,992	"	
20	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	659,353	542,839	186,737	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	Note 2	
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	219,784	217,136	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"	
20	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	131,871	130,281	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"	
20	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	285,720	282,276	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"	
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	87,914	86,854	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"	
20	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,727	8,685	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"	

Number	Creditor	General ledger account		Borrower	Related party	Maximum outstanding balance during the year ended		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
						December 31, 2021	December 31, 2021							Item	Value			
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Other receivables	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Y	\$ 13,090	\$ 13,028	\$ -	2.85%	Short-term financing	-	Operations	\$ -	None	-	\$ 9,062,774	\$ 18,125,547	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Shanghai HoChen Motor Technology Co., Ltd.	Y	219,784	217,136	169,105	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Y	174,535	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Y	43,634	43,427	-	3.35%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Y	461,547	455,985	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Y	351,655	347,417	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Y	175,828	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Tianjin Hozhan Motor Service Co., Ltd.	Y	131,871	130,281	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Tianjin Heyi International Trading Co., Ltd.	Y	218,169	217,136	35,263	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Y	351,655	347,417	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Y	219,784	217,136	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Y	175,828	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	Y	43,634	43,427	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Nanjing Hozhan Motor Sales and Service Co.,LTD.	"	Nanjing Hozhan Motor Sales and Service Co.,LTD.	Y	87,914	86,854	-	2.85%	"	-	"	-	"	-	1,812,555	3,625,109	Note 3
20	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Hoyun International Lease Co., Ltd.	Y	741,775	738,261	738,261	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Y	131,871	130,281	86,854	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Y	131,871	130,281	130,281	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	"	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Y	87,914	86,854	43,427	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	Y	65,451	65,141	21,714	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
21	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Y	218,169	217,136	-	4.30%	"	-	"	-	"	-	4,535,165	9,070,330	Note 1
21	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	He Jing Co., Ltd.	Y	2,000,000	2,000,000	-	0.72%	"	-	"	-	"	-	2,275,526	4,551,052	Note 5

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 200% of the creditor's net value. The limit on loans to a single entity is 100% of the company's total equity.

Note 2: For Hotong Motor Investment Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by the same parent company is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Note 3: The limit on total loans to the borrower (HOTONG MOTOR INVESTMENT CO., LTD.) and creditor (Nanjing HoZhan Motor Sales and Service Co., Ltd., Hoyun International Lease Co., Ltd., Beijing Heling Lexus Motor Sales & Service Co., Ltd., Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd., Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd., Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the HOTONG MOTOR INVESTMENT CO., LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 4: The limit on total loans to the borrower (CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.) and creditor (Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.) for operations short-term financing is prescribed in the CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 5: The borrower (Hotai Finance Co., Ltd.) and the creditor (HE JING CO., LTD.) who had the requirement of short-term financing for operating capital, according to the prodcedures of loans to others should not exceed 20% of the net assets and the limit of loans to single party should not exceed 10% of net assets.

Ho Tai Motor Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 2021

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ the endorser/	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.		Note 4.b	\$ 22,131,255	\$ 42,803	-	\$ -	-	-	\$ 36,885,426	Y	N	Y	Note 1
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.		Note 4.a	22,755,264	2,181,693	2,171,335	1,778,857	-	9.54%	22,755,264	Y	N	Y	Note 2
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.		"	22,755,264	361,734	355,535	187,793	-	1.56%	22,755,264	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.		"	22,755,264	6,000,000	6,000,000	-	-	26.37%	22,755,264	Y	N	N	"
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.		Note 4.b	309,188	28,535	-	-	-	-	513,313	Y	N	Y	Note 3

Note 1 : The limit on total endorsement is no more than 50% of the Company's total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 2 : For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of it's total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity.

Note 3 : For Toyota Material Handling Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 4 : Relationship between the endorser/guarantor:

a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Ho Tai Motor Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2021

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

Table 3

Securities held by		Type and name of securities	Relationship with the securities issuer	General ledger account		As of December 31, 2021				Footnote
						Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.		Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current		20,617,157	\$ 732,940	0.15%	\$ 732,940	
		- Toyota Motor Corporation	-	"		15,956,000	\$ 8,079,684	0.10%	\$ 8,079,684	
		- Shihlin Electric & Engineering Corporation Etc.	None	"		-	118,009	0.00%~0.42%	\$ 118,009	
		Taian Insurance Co., Ltd. Etc.	-	"		-	328,256	0.42%~3.10%	\$ 328,256	
Hozan Investment Co., Ltd.		Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current		-	\$ 500,000	-	\$ 500,000	
		Stock - Toyota Motor Corporation	-	Financial assets at fair value through profit or loss - current		781,500	364,437	0.00%	395,730	
				Valuation adjustment of financial assets			31,293		-	
				Total			\$ 895,730		\$ 895,730	
Toyota Material Handling Taiwan Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,357	0.50%	\$ 3,357	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		49,471,383	\$ 506,728	-	\$ 517,159	
		- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets			10,431		-	
				Total			\$ 517,159		\$ 517,159	
Carnax Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,631	0.06%~0.50%	\$ 3,631	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		35,665,722	\$ 370,000	-	\$ 372,839	
		- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets			2,839		-	
				Total			\$ 372,839		\$ 372,839	
Ho Tai Development Co., Ltd.		Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 2,109	-	\$ 2,109	
		Ho An Insurance Agency Co., Ltd. Etc.	-	"		-	\$ 3,631	0.05%~0.50%	\$ 3,631	
		President securities Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current		-	\$ 248,941	-	\$ 249,021	
				Valuation adjustment of financial assets			80		-	
Ho Tai Service & Marketing Co., Ltd		Bestaiwan Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current		11,974	\$ 249,021	0.11%	\$ 249,021	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		-	\$ 30,000	-	\$ 30,557	
		- BOT Money Market Fund		Valuation adjustment of financial assets			557		-	
				Total			\$ 30,557		\$ 30,557	
Hotai Finance Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,357	0.50%	\$ 3,357	
		Beneficiary certificates	-	"		-	\$ 3,357	0.50%	\$ 3,357	
		- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current		3,325,555	\$ 34,602	-	\$ 34,764	
		- Mega Diamond Money Market Fund	Not applicable	"		7,974,387	100,545	-	101,096	
Hotai Leasing Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.		Valuation adjustment of financial assets			713		-	
		Beneficiary certificates		Total			\$ 135,860		\$ 135,860	
		- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current		4,827,821	\$ 50,000	-	\$ 50,469	
		- Mega Diamond Money Market Fund		Valuation adjustment of financial assets			469		-	
Hotai Innovation marketing corporation		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current			\$		\$	
		- Franklin Templeton Sinoam Money Market Fund		Total			\$ 50,469		\$ 50,469	

Securities held by	Type and name of securities	Relationship with the securities issuer	As of December 31, 2021				
			General ledger account	Number of shares	Book value	Ownership (%)	Fair value
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund - Mega Diamond Money Market Fund - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	8,647,816	\$ 90,000	-	\$ 90,402
		Not applicable	"	3,962,122	50,000	-	50,230
		Not applicable	"	6,688,569	74,342	-	74,425
Hotong Motor Investment Co., Ltd.	Structured deposit - Fubon Bank (China) Co., Ltd.		Valuation adjustment of financial assets		715		-
			Total		215,057		215,057
		Not applicable	Financial assets at fair value through profit or loss - current	-	217,136	-	217,136
		Not applicable	"	-	217,136	-	217,136
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation		Total		434,272		434,272
		None	Financial assets at fair value through other comprehensive income - non-current	-	21,180	10.48%	21,180
			Financial assets at fair value through profit or loss - current	2,696,193	\$ 30,000	-	\$ 30,001
YuCheng Transport Co.,Ltd	CTBC Hwa-win Money Market Fund		Valuation adjustment of financial assets		1		-
			Total		30,001		30,001
		Not applicable	Financial assets at fair value through profit or loss - current	2,246,828	\$ 25,000	-	\$ 25,001
ChyuanAn Transport Co.,Ltd	CTBC Hwa-win Money Market Fund		Valuation adjustment of financial assets		1		-
			Total		25,001		25,001

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 4

		Balance as at January 1, 2021			Addition		Disposal				Balance as at December 31, 2021			
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Hotai Motor Co., Ltd.	Hotai Connected Co., Ltd.	Investments accounted for using equity method	Hotai Connected Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Hotai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Investments accounted for using equity method	Hotai AutoBody Manufacturing Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Hotai Finance Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Investments accounted for using equity method	Hoyun (Shanghai) Vehicle Leasing Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Investments accounted for using equity method	He Jing Co., Ltd.	Not applicable	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Ho Tai Development Co., Ltd.	President securities Corp.-PGN0085	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ 695,943	-	\$ 516,925	-	\$ 967,763	\$ 963,927	\$ 3,836	-	\$ 249,021
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 651,407	-	\$ 441,462	\$ 434,271	\$ 7,191	-	\$ 217,136
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 651,407	-	\$ 439,329	\$ 434,271	\$ 5,058	-	\$ 217,136

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Original owner who sold the real estate to the			Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
					Counterparty	Relationship with the counterparty	counterparty						
Hotai Finance Co., Ltd.	No. 16-4, Jiuzong Sec., Neihu Dist., Taipei City	February 4, 2021	\$ 719,500	Paid in full	Lian Hong Construction Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None
	Four short sections												
Hotai Finance Co., Ltd.	numbered 254 in Xihu Sec., Neihu Dist., Taipei City	December 1, 2021	540,000	135,000	Elison Fashion Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None

Note 1: The appraisal result should be presented in the ‘Basis or reference used in setting the price’ column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note4: In December 2021, the subsidiary, Hotai Finance Co., Ltd., entered into a real estate agreement with the non-related party to purchase land and buildings in four short sections in Xihu Sec., Neihu Dist., Taipei City. As the transfer of ownership has not been completed in the fourth quarter of 2021, they were shown as ‘other non-current assets, others’.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Year ended December 31, 2021

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

271

Differences in transaction terms compared to third party transactions										
Transaction						Notes/accounts receivable (payable)				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price		Balance	Footnote
							Normal	Normal		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 27,554,308	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal		\$ 338,492	17%
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	25,239,273	18%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		319,982	16%
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	19,740,676	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		230,338	11%
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	18,663,004	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		268,932	13%
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	17,852,228	13%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		83,459	4%
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	16,678,745	12%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		251,405	12%
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	2,784,485	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Not applicable		243,890	12%
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,877,404	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal		26,094	1%
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,589,884	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		34,037	2%
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	1,056,655	1%	Collection at sight	"		39,934	2%
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd	"	"	728,450	1%	Collection at sight	"		-	-
Ho Tai Motor Co., Ltd.	Carnax Co., Ltd.	"	"	124,251	-	Collection at sight	"		14,653	1%
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management Associates	Purchases	42,368,272	34%	Closes its accounts 15 days after the end of each month	Not applicable		(3,008,307)	42%
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.		"	48,030,779	38%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"		(649,479)	9%
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pre Ltd.	Entity controlled by the Company's key management Subsidiary	"	3,873,617	3%	Closes its accounts 15 days after the end of each month	"		(444,096)	6%
Ho Tai Motor Co., Ltd.	Carnax Co., Ltd.		"	2,284,862	2%	Closes its accounts 16 days after the end of each month	"		(458,263)	6%
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management Associates	"	770,125	1%	Closes its accounts 15 days after the end of each month	"		(44,412)	1%
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.		"	886,815	1%	Closes its accounts 16 days after the end of each month	"		(90,472)	1%
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	333,605	-	Closes its accounts 15 days after the end of each month	"		(12,892)	-

Differences in transaction terms compared to third party

Relationship with the counterparty							Percentage of total purchases (sales)		Percentage of total notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Purchases (sales)	Amount	Credit term	Unit price	Credit term	Balance (\$)	Footnote			
Ho Tai Motor Co., Ltd.	Toyota-Motor-Sales-USA	Purchases	\$ 1,060,446	1%	Closes its accounts 15 days after the end of each month	Normal	18,057)	-			
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	Sales	566,164	3%	14 days after invoice date	"	4,116	-			
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	219,543	1%	Closes its accounts on the next Monday and Wednesday after the end of each week	"	11,107	-			
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	613,911	3%	Collection at sight	"	53,880	55%			
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Purchases	12,278,777	69%	Closes its accounts on the next Monday and Wednesday after the end of each week	Not applicable	(107,970)	19%			
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	"	2,784,485	16%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	(243,890)	42%			
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Sales	2,284,862	30%	Closes its accounts 16 days after the end of each month	Normal	458,263	31%			
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	1,085,144	15%	Closes its accounts 10 days after the end of each month	"	265,233	23%			
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	289,275	4%	Closes its accounts 35 days after the end of each month	"	32,709	3%			
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	287,380	4%	Closes its accounts 35 days after the end of each month	"	34,498	3%			
Carmax Co., Ltd.	Innovation AUTO Parts Co., Ltd.	"	214,828	3%	Closes its accounts 25 days after the end of each month	"	8,049	1%			
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	190,926	3%	Closes its accounts 90 days after the end of each month	"	19,463	2%			
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	"	129,353	2%	Closes its accounts 40 days after the end of each month	"	-	-			
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Purchases	788,211	14%	Closes its accounts 10 days after the end of each month	"	(66,610)	8%			
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	"	255,738	5%	Closes its accounts 30 days after the end of each month	"	(38,208)	5%			
Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	Sales	255,738	48%	Closes its accounts 30 days after the end of each month	"	38,208	63%			
Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co.,Ltd. Associates	"	146,187	28%	Closes its accounts 30 days after the end of each month	"	1,216	2%			
Carmax Co., Ltd.	AIM Technology Corp.	Purchases	1,452,405	26%	Closes its accounts 21 days after the end of each month	"	(165,919)	21%			
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	124,251	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	(14,653)	2%			
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	"	2,812,475	31%	Payment at sight	"	(6,212)	4%			
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	1,319,549	14%	Payment at sight	"	-	"			
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	"	1,056,655	12%	Payment at sight	"	(39,934)	24%			
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	"	1,102,721	12%	Payment at sight	"	(1,094)	1%			
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	"	910,173	10%	Payment at sight	"	-	"			
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	713,914	8%	Payment at sight	"	-	"			
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	613,911	7%	Payment at sight	"	(53,880)	32%			
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	478,140	5%	Payment at sight	"	(3,740)	2%			
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	Sales	228,056	99%	Collection at sight	"	11,812	"			
Hotai Leasing Co., Ltd.	Eastern Motor Co., Ltd.	Purchases	136,367	1%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	(3,782)	2%			
Hoing Mobility Service Co., Ltd.	Ho Tai Motor Co., Ltd.	"	728,450	47%	Payment at sight	"	-	"			

Ho Tai Motor Co., Ltd.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	Overdue receivables			Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
				Turnover rate	Amount	Action taken		
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable \$ 338,492	117.51	\$ -	-	338,492	\$ -
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Other receivables 12,283				12,283	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable 319,982	116.26	-	-	319,982	-
			Other receivables 10,899				10,899	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable 243,890	11.47	-	-	243,890	-
			Other receivables 28,042				28,042	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable 230,338	123.45	-	-	230,338	-
			Other receivables 2,595				2,595	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable 251,405	103.26	-	-	251,405	-
			Other receivables 7,788				7,788	
Ho Tai Motor Co., Ltd.	Hozan Investment Co.,Ltd.	"	Accounts receivable 268,932	110.07	-	-	268,932	-
			Other receivables 8,522				8,522	
Ho Tai Motor Co., Ltd.	Kuozui Motors, L.	"	Other receivables 103,000	-	-	-	103,000	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Other receivables 265,233	4.20	-	-	265,233	-
Carmax Co., Ltd.			Accounts receivable 458,263	7.05	-	-	458,263	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2021

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

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 2,784,485	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,619,498	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	243,890	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	81,808		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,589,884	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	458,263	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	124,251	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	1,056,655	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Corporation	1	Sales revenue	728,450	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	221,717	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	Sales revenue	91,541	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	53,880		-
1	Chang Yuan Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	340,622		-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	613,911	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	He Jing CO., LTD.	3	Sales revenue	223,677		-
2	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	548,064	Collection at sight	-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	136,367		-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	3	Sales revenue	2,284,862	Closes its accounts 16 days after the end of each month	1%
3	Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	3	Accounts payable	66,610		-
4	Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	146,187	Closes its accounts 30 days after the end of each month	-
4	Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	255,738	Closes its accounts 30 days after the end of each month	-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	186,737		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	255,004		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	138,359		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	137,143		-
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	86,463		-
5	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	216,354		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	247,708		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	169,105		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		
				General ledger account	Amount	Percentage of total operating revenues or total assets
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	\$ 71,828	-
5	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	738,261	-
5	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co.,Ltd.	3	Other payables	77,952	-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	60,871	-
6	Shanghai Hoyu Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	76,458	-
7	SHANGHAI YANGPU HELING MOTOR SALE & SERVICE CO., LTD.	Hoyun International Lease Co., Ltd.	3	Sales revenue	94,012	-
8	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	176,592	-
9	Shanghai Hozhan Motor Service Co.,Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	240,583	-
9	Shanghai Hozhan Motor Service Co.,Ltd.	Nanjing Hozhan Motor Sales and Service Co.,LTD.	3	Sales revenue	63,388	-
10	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	Sales revenue	228,056	-
11	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	1,368	-
12	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	368,309	-
13	Hotai AutoBody Manufacturing Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	70,482	-
14	Hoing Mobility Service Corporation	Hotai Leasing Co., Ltd.	3	Rent income	84,931	-
15	Hotai Connected Co., Ltd	Ho Tai Motor Co., Ltd.	2	Service revenue	176,280	-
16	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	3	Property, plant and equipment; other non-current assets, others	469,140	-
17	Nanjing Hozhan Motor Sales and Service Co.,LTD.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	47,354	-
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	788,211	-
19	Tianjin Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	61,214	-

Note 1 : The numbers filled for inter-company transactions are as follows:

1.The parent company is numbered "0".

2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

1.The parent company to the subsidiary.

2.The subsidiary to the parent company.

3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at ending period;

Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2021

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

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)				Book value
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,201,122	\$ 7,201,122	-	100.00	\$ 23,596,865	\$ 3,181,840	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	5,242,021	3,335,506	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,014,279	3,014,279	108,897,360	100.00	9,256,665	1,349,567	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	313,500,000	100.00	4,494,197	609,375	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,649,211	789,055	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	3,411,607	1,364,479	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,673,305	744,007	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,408,476	411,461	"
Ho Tai Motor Co., Ltd.	Carnax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,573,014	1,064,917	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,471	6,415	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	1,197,311	448,938	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,315,675	656,235	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,130,250	616,305	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	70,597,690	100.00	1,030,626	160,377	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	39,268,179	100.00	447,486	27,196	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	301,184	78,604	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	394,678	39,091	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	126,413	32,906	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25.00	114,033	124,371	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	34,961	62,531	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	879,060	579,060	113,000,000	100.00	722,874	83,307	"
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	500,000	-	50,000,000	50.00	500,556	845	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	96,880	96,880	3,500,000	70.00	161,410	22,260	An indirect wholly-owned subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	33,216	33,216	1,200,000	40.00	-	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,003	62,003	233,782,831	45.39	10,350,024	3,141,443	-
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,197,964	993,827	-
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	393,041	63,394	-
										Subsidiary's investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)			
				\$	\$				\$	
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	448,938	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	"	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	968,074	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	111,309	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Innovation Marketing Co., Ltd.	"	Retail and wholesale of collections	-	10,000	-	-	91,889	-	An indirect wholly-owned subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,118,272	1,118,272	40,400,000	50.50	788,075	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	"	"	1,096,128	1,096,128	39,600,000	49.50	788,075	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	1,817	-	"
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	-	300,000	-	-	1,817	-	"
Hotai Connected Co., Ltd	Hoing Mobility Service Co., Ltd.	"	"	300,000	-	30,000,000	49.18	1,817	-	"
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	57,520	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	"	120,000	120,000	12,000,000	27.40	57,520	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	810,000	-	81,000,000	81.00	11,800	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	328	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	39,225	39,225	7,000,000	100.00	222	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	244	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	100,000	100,000	27,190,239	100.00	90,520	-	"
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	13,042	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	50,000	5,000,000	100.00	29,367	-	An indirect wholly-owned subsidiary
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	58,263	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	6,317	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	23,403	-	"
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	"	"	-	4,000	-	-	9,589	-	"
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	"	Crane and hoist services engineering and transportation and storage	-	7,000	-	-	9,147	-	"
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	"	"	-	3,000	-	-	9,857	-	"
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	13,042	-	Subsidiary's investee company accounted for using the equity method
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	252	-	An indirect wholly-owned subsidiary
Carnax Co., Ltd.	Smart Design Technology Co., Ltd.	Taiwan	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	62,531	-	Subsidiary
Carnax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products and accessories	38,500	38,500	3,850,000	35.00	6,415	-	Subsidiary's investee company accounted for using the equity method
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	4,542	-	An indirect wholly-owned subsidiary
Eastern Motor Co., Ltd.	Daleon Auto Parts And Accessories Corporation	"	"	500	500	50,000	100.00	269	-	"
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	200,000	-	20,000,000	20.00	845	-	Subsidiary
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	"	Sales of vehicle bodies	40,000	-	4,000	100.00	2,510	-	An indirect wholly-owned subsidiary

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote	
					Remitted to Mainland China	Remitted back to Taiwan								
														\$
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	3,544,286	Note 2	\$	\$	-	\$	1,700,936	100.00	\$	9,062,774	\$	-	Note 2.1
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	93,282	"	93,282	-	-	93,282	141,302	100.00	141,302	484,946	-	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	130,281	"	10,172	-	-	10,172	-	10.48	-	10,172	-	-	Note 2.2
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	83,040	"	27,680	-	-	27,680	-	40.00	-	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	166,080	"	166,080	-	-	166,080	205,086	100.00	205,086	513,533	-	-	Note 2.1
Shanghai Hozhan Motor Service Co., Ltd.	"	83,040	"	83,040	-	-	83,040	48,604	100.00	48,604	178,704	-	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	138,400	"	96,880	-	-	96,880	22,260	70.00	15,582	161,410	-	-	"
Shanghai Heling Motor Service Co., Ltd.	"	96,880	Note 3	72,660	-	-	72,660	485,701	100.00	485,701	1,277,140	-	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	130,281	Note 2	10,899	-	-	10,899	-	10.48	-	10,899	26,106	Note 2.2	
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	166,080	"	166,080	-	-	166,080	12,889	100.00	12,889	181,185	-	-	Note 2.1
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	377,832	"	257,424	-	-	257,424	28,642	100.00	28,642	259,315	-	-	"
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	"	43,427	Note 3	-	-	-	-	2,612	100.00	2,612	47,996	-	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	160,544	Note 2	160,544	-	-	160,544	113,048	100.00	113,048	357,629	-	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	179,920	"	179,920	-	-	179,920	206,129	100.00	206,129	455,324	-	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,214,400	"	2,214,400	-	-	2,214,400	788,075	55.61	438,270	2,522,267	-	-	"
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	217,136	Note 3	-	-	-	-	6,018	55.61	3,347	139,593	-	-	"
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	651,407	Note 3	-	-	-	-	11,965	55.61	6,654	298,783	-	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	83,040	Note 2	83,040	-	-	83,040	252	45.01	113	48,095	-	-	Note 2.2
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	332,160	Note 3	-	-	-	-	145,258	100.00	145,258	512,788	-	-	Note 2.1
Tianjin Hozhan Motor Service Co., Ltd.	"	297,909	"	-	-	-	-	22,664	100.00	22,664	312,258	-	-	"
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	332,160	"	-	-	-	- (	1,381)	35.00	(483)	58,979	-	-	Note 2.2
Carnax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	36,814	Note 1	36,814	-	-	36,814	49,126	51.00	25,054	155,494	-	-	"
Guangzhou Gac Changho Autotech Corporation	"	88,391	"	39,776	-	-	39,776	42,072	22.95	9,655	41,272	131,149	"	
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	276,800	Note 3	-	-	-	-	81,711	35.00	28,599	142,902	-	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	415,200	Note 3	-	-	-	-	70,963	35.00	24,837	202,152	-	-	Note 2.3
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	332,160	"	-	-	-	-	85,418	35.00	29,896	197,825	-	-	Note 2.2

Ho Tai Motor Co., Ltd.
Major shareholders information
Year ended December 31, 2021

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	48,267,625	8.83%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	40,569,353	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%

5. Parent company only financial statement and report of independent accounts

INDEPENDENT AUDITORS' REPORT (TRANSLATED FROM CHINESE)

PWCR21004157

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, 2021 and 2020, 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, 2021 and 2020, 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., an 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 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

Description

Please refer to Note 4(23) 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.

How our audit addressed the matter

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., an investment accounted for using equity method

Description

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.

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.

How our audit addressed the matter

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 accounted for 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 investees, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$ 6,351,398 thousand and NT\$ 6,215,314 thousand, constituting 6.72% and 7.42% of the total assets as at December 31, 2021 and 2020, respectively, and the comprehensive income amounted to NT\$ 442,368 thousand and NT\$ 444,268 thousand, constituting 2.52% and 3.06% 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 24, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2021		December 31, 2020			
			Amount	%	Amount	%		
Current Assets								
1100	Cash and cash equivalents	6(1)	\$	9,128,578	10	\$	4,079,705	5
1110	Financial assets at fair value through profit or loss – current	6(2)		406,717	-		121,132	-
1150	Notes receivable, net	6(4)		2,673	-		194	-
1170	Accounts receivable, net	6(4)		168,358	-		35,196	-
1180	Accounts receivable – related parties, net	6(4) and 7		1,852,563	2		875,481	1
1200	Other receivables	7		756,354	1		775,166	1
130X	Inventories, net	6(5)		4,390,888	5		6,892,711	8
1410	Prepayments			302,997	-		535,843	1
11XX	Total current assets			17,009,128	18		13,315,428	16
Non-current assets								
1510	Financial assets at fair value through profit or loss-non-current	6(2)		500,000	-		500,000	1
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)		9,258,889	10		8,050,052	10
1550	Investments accounted for using equity method	6(6)		60,638,879	64		54,766,276	65
1600	Property, plant and equipment	6(7)		3,442,868	4		3,655,402	4
1755	Right-of-use assets, net	6(8)		13,045	-		1,461	-
1760	Investment property, net	6(10)		2,598,600	3		2,451,228	3
1780	Intangible assets			23,800	-		-	-
1840	Deferred income tax assets	6(25)		613,892	1		522,187	1
1900	Other non-current assets			466,723	-		457,740	-
15XX	Total non-current assets			77,556,696	82		70,404,346	84
1XXX	Total Assets		\$	94,565,824	100	\$	83,719,774	100

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Liabilities and equity		Notes	December 31, 2021		December 31, 2020	
			Amount	%	Amount	%
Current Liabilities						
2100	Short-term loans	6(11)	\$ 3,144,963	3	\$ 1,204,156	1
2120	Financial liabilities at fair value through profit or loss-current	6(2)	27,722	-	62,172	-
2150	Notes payable		7,459	-	-	-
2170	Accounts payable	6(12)	2,356,306	3	3,018,477	4
2180	Accounts payable – related parties	6(12) and 7	4,761,908	5	5,378,676	6
2200	Other payables	6(13) and 7	2,837,624	3	2,682,059	3
2230	Current income tax liabilities		2,298,457	2	1,293,129	2
2250	Provisions-current	6(15)	758,278	1	747,058	1
2280	Current lease liabilities		5,782	-	1,472	-
2300	Other current liabilities		75,798	-	103,887	-
21XX	Total current liabilities		16,274,297	17	14,491,086	17
Non-current liabilities						
2550	Provisions-non-current	6(15)	2,763,806	3	2,271,345	3
2570	Deferred income tax liabilities	6(25)	1,748,735	2	1,478,821	2
2580	Non-current lease liabilities		7,317	-	-	-
2600	Other non-current liabilities		818	-	818	-
25XX	Total non-current liabilities		4,520,676	5	3,750,984	5
2XXX	Total liabilities		20,794,973	22	18,242,070	22
Equity						
Share capital						
		6(16)				
3110	Common stock		5,461,792	6	5,461,792	7
Capital surplus						
		6(17)				
3200	Capital surplus		2,807,477	3	2,818,336	3
Retained earnings						
		6(18)				
3310	Legal reserve		13,925,963	15	12,544,333	15
3320	Special reserve		381,843	-	381,843	-
3350	Unappropriated earnings		47,944,833	51	42,338,324	51
Other equity						
3400	Other equity		3,248,943	3	1,933,076	2
3XXX	Total equity		73,770,851	78	65,477,704	78
Significant contingent liabilities and unrecognized contract commitments		9				
Significant events after balance sheet date		11				
3X2X	Total liabilities and equity		\$ 94,565,824	100	\$ 83,719,774	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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	6(19) and 7	\$ 138,872,240	100	\$ 136,052,443	100
5000	Operating costs	6(5) and 7	(126,116,513)	(91)	(124,039,117)	(91)
5900	Gross profit before realized (unrealized) profit from sales to subsidiaries and associates		12,755,727	9	12,013,326	9
5910	Unrealized profit from sales		(178,613)	-	(136,549)	-
5920	Realized profit from sales		136,549	-	219,755	-
5950	Gross profit		12,713,663	9	12,096,532	9
	Operating expenses	6(23) and 7				
6100	Selling expenses		(2,119,205)	(2)	(2,117,462)	(2)
6200	General and administrative expenses		(2,048,641)	(1)	(1,751,042)	(1)
6000	Total operating expenses		(4,167,846)	(3)	(3,868,504)	(3)
6900	Operating profit		8,545,817	6	8,228,028	6
	Non-operating income and expenses					
7100	Interest income	6(20) and 7	56,391	-	65,925	-
7010	Other income	6(21) and 7	1,276,264	1	1,126,579	1
7020	Other gains and losses	6(22)	565,683	1	533,867	-
7050	Finance costs		(21,016)	-	(23,036)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	8,286,264	6	6,270,255	5
7000	Total non-operating income and expenses		10,163,586	8	7,973,590	6
7900	Profit before income tax		18,709,403	14	16,201,618	12
7950	Income tax expense	6(25)	(2,498,645)	(2)	(2,352,748)	(2)
8200	Profit for the year		\$ 16,210,758	12	\$ 13,848,870	10
	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)	\$ 1,208,837	1	\$ 245,498	-
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		73,769	-	(20,933)	-
8310	Total components of other comprehensive income (loss) that may not be reclassified to profit or loss		1,282,606	1	224,565	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(45,735)	-	148,330	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method		141,423	-	314,410	1
8360	Total components of other comprehensive income that will be reclassified to profit or loss		95,688	-	462,740	1
8300	Other comprehensive income for the year, net of tax		\$ 1,378,294	1	\$ 687,305	1
8500	Total comprehensive income for the year		\$ 17,589,052	13	\$ 14,536,175	11
	Earnings per share (in dollars)					
9750	Basic earnings per share	6(26)	\$ 29.68		\$ 25.36	
9850	Diluted earnings per share	6(26)	\$ 29.66		\$ 25.34	

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, 2021 AND 2020
(Expressed in thousands of New Taiwan Dollars)

	Retained earnings				Other equity				
	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 comprehensive income	Gain (loss) on hedging instruments	Total equity
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	-	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
For the year ended December 31, 2021									
Balance at January 1, 2021	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	(\$ 496,286)	\$ 2,418,985	\$ 10,377	\$ 65,477,704
Profit for the year	-	-	-	-	16,210,758	-	-	-	16,210,758
Other comprehensive income (loss) for the year	-	-	-	-	62,427	(59,837)	1,409,900	(34,196)	1,378,294
Total comprehensive income (loss)	-	-	-	-	16,273,185	(59,837)	1,409,900	(34,196)	17,589,052
Appropriation and distribution of retained earnings: 6(18)									
Legal reserve	-	-	1,381,630	-	(1,381,630)	-	-	-	-
Cash dividends	-	-	-	-	(9,285,046)	-	-	-	(9,285,046)
Changes in equity of associates and joint ventures accounted for using equity method	-	(721)	-	-	-	-	-	-	(721)
Changes in ownership interests in subsidiaries	-	7,116	-	-	-	-	-	-	7,116
Reorganization	-	(17,254)	-	-	-	-	-	-	(17,254)
Balance at December 31, 2021	\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	(\$ 556,123)	\$ 3,828,885	\$ 23,819	\$ 73,770,851

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

	Notes	2021	2020
Cash flows from operating activities			
Profit before income tax		\$ 18,709,403	\$ 16,201,618
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net gain on financial assets and liabilities at fair value through profit or loss	6(22)	(68,250)	(132,411)
Depreciation	6(23)	104,054	96,972
Net gain on disposal of property, plant and equipment	6(22)	(812)	(1,303)
Loss on abandonment of property, plant and equipment	6(22)	33	5
Share of profit of associates accounted for using equity method	6(6)	(8,286,264)	(6,270,255)
Dividend income		(258,398)	(252,700)
Interest expense		21,016	23,036
Interest income	6(20)	(56,391)	(65,925)
Unrealized profit from sales		178,613	136,549
Realized profit from sales		(136,549)	(219,755)
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		(251,785)	(76,121)
Notes receivable		(2,479)	8,485
Accounts receivable		(1,110,244)	1,333,687
Other receivables		122,524	(185,970)
Inventories		2,501,823	333,003
Prepayments		232,909	(158,041)
Net changes in liabilities relating to operating activities			
Notes and accounts payable		(1,271,480)	80,097
Other payables		154,842	167,842
Other current liabilities		(28,089)	18,380
Other non-current liabilities		503,680	597,957
Cash inflow generated from operations		11,058,156	11,635,150
Cash dividends received		3,485,593	2,948,108
Interest paid		(20,355)	(23,528)
Interest received		55,679	66,558
Income tax paid		(1,315,108)	(2,112,399)
Net cash provided by operating activities		13,263,965	12,513,889
Cash flows from investing activities			
Acquisition of investments accounted for using equity method	6(6)	(800,000)	(885,524)
Acquisition of property, plant and equipment	6(7)	(38,724)	(211,545)
Acquisition of investment property	6(10)	(235)	(149)
Proceeds from disposal of property, plant and equipment	6(7)	6,655	4,195
Acquisition of intangible assets		(23,800)	-
(Increase)decrease in other non-current assets		(8,983)	30,230
Net cash used in investing activities		(865,087)	(1,062,793)
Cash flows from financing activities			
(Decrease) increase in short-term loans	6(27)	1,940,807	(747,251)
Cash dividends paid	6(18)(27)	(9,285,046)	(7,646,509)
Repayments of principal portion of lease liability	6(27)	(5,766)	(5,861)
Net cash used in financing activities		(7,350,005)	(8,399,621)
Increase in cash and cash equivalents		5,048,873	3,051,475
Cash and cash equivalents at beginning of year		4,079,705	1,028,230
Cash and cash equivalents at end of year		\$ 9,128,578	\$ 4,079,705

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, 2021 AND 2020

(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 24, 2022.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond 30 June 2021’	April 1, 2021(Note)

Note: Earlier application from January 1, 2021 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 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
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.	

(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:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
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 IFRS 17, 'Initial Application of IFRS 17 and IFRS 9—Comparative Information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

The above standards and interpretations have no significant impact to the 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	8 ~ 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 include fixed payments.

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) Intangible assets

Trademark right (indefinite useful life)

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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. Please refer to Note 6(19) for the information of sales of goods.

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, 2021, the carrying amount of provisions for warranty was \$3,522,084.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31,	
	2021	2020
Cash on hand and revolving funds	\$ 330	\$ 330
Checking accounts and demand deposits	1,743,177	383,644
Cash equivalents-short-term notes and bills	6,085,071	3,695,731
Time deposits	1,300,000	-
	<u>\$ 9,128,578</u>	<u>\$ 4,079,705</u>

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.

(Remainder of page intentionally left blank)

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

Items	December 31,	
	2021	2020
Financial assets at fair value through profit or loss		
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 364,437	\$ 95,402
Valuation adjustment	31,293	17,383
Derivative instruments	<u>10,987</u>	<u>8,347</u>
	<u>\$ 406,717</u>	<u>\$ 121,132</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Corporate bonds	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Financial liabilities at fair value through profit or loss		
Current items:		
Financial liabilities held for trading		
Derivative instruments	<u>\$ 27,722</u>	<u>\$ 62,172</u>

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,	
	2021	2020
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 37,089	\$ 95,748
Beneficiary certificates	-	2,031
Corporate bonds	17,250	17,250
Foreign stocks	<u>13,911</u>	<u>17,382</u>
	<u>\$ 68,250</u>	<u>\$ 132,411</u>

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, 2021	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 421,750</u>	2021.8.25~2022.4.14

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

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

<u>Items</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current items:		
Equity instruments		
Listed stocks and unlisted stocks	\$ 6,413,881	\$ 6,413,881
Valuation adjustment	<u>2,845,008</u>	<u>1,636,171</u>
	<u>\$ 9,258,889</u>	<u>\$ 8,050,052</u>

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 \$9,258,889 and \$8,050,052, respectively, as of December 31, 2021 and 2020.

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:

<u>Items</u>	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Equity instruments at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income	<u>\$ 1,208,837</u>	<u>\$ 245,498</u>

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,	
	2021	2020
Notes receivable	\$ 2,673	\$ 194
Accounts receivable	2,020,921	910,677
	<u>\$ 2,023,594</u>	<u>\$ 910,871</u>

A. The Company has no past due accounts receivable.

B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,023,594, \$910,871 and \$2,253,043, respectively.

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

(5) Inventories

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Vehicles	\$ 2,771,361	\$ -	\$ 2,771,361
Parts	680,241	(89,801)	590,440
Inventory in transit	1,029,087	-	1,029,087
	<u>\$ 4,480,689</u>	<u>(\$ 89,801)</u>	<u>\$ 4,390,888</u>

	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
	<u>\$ 6,974,835</u>	<u>(\$ 82,124)</u>	<u>\$ 6,892,711</u>

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,	
	2021	2020
Cost of goods sold	\$ 126,104,475	\$ 124,021,592
Loss on market value decline of inventories	7,677	8,879
	<u>\$ 126,112,152</u>	<u>\$ 124,030,471</u>

(6) Investments accounted for using equity method

	Years ended December 31,	
	2021	2020
Hozan Investment Co., Ltd.	\$ 23,596,865	\$ 21,586,019
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	9,256,665	7,952,833
Kuozui Motors, Ltd.	5,242,021	4,590,681
Change Yuan Motor Co., Ltd.	4,494,197	4,311,113
Ho Tai Development Co., Ltd.	3,411,607	2,933,561
Central Motor Co., Ltd.	2,649,211	2,609,115
Tau Miao Motor Co., Ltd.	1,673,305	1,608,001
Kau Du Automobile Co., Ltd.	1,408,476	1,392,909
Carmax Co., Ltd.	1,573,014	1,379,937
Kuotu Motor Co., Ltd.	1,315,675	1,238,822
Taipei Toyota Motor Co., Ltd.	1,197,311	1,157,149
Nan Du Motor Co., Ltd.	1,130,250	1,086,633
Toyota Material Handling Taiwan Ltd.	1,030,626	981,292
Hotai Connected Co., Ltd.	722,874	551,522
Hotai AutoBody Manufacturing Co.,Ltd.	500,556	-
Eastern Motor Co., Ltd.	447,486	423,010
Formosa Flexible Packaging Corp.	394,678	378,824
Lang Yang Toyota Motor Co., Ltd.	301,184	301,130
Shi-Ho Screw Industrial Co., Ltd., etc.	292,878	283,725
	<u>\$ 60,638,879</u>	<u>\$ 54,766,276</u>

- A. Please refer to Note 4(3) of the 2021 and 2020 consolidated financial statements for related information about subsidiaries of the Company.
- B. Hotai Finance Co., Ltd. has quoted market price. As of December 31, 2021, the fair value of Hotai Finance Co., Ltd. was \$21,554,777.
- C. The share of profit of investments accounted for using the equity method were \$8,286,264 and \$6,270,255, which were valued based on the investees' financial statements audited by auditors for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 amounted to \$15,570,028 and \$14,618,770, respectively.

	Years ended December 31,	
	2021	2020
Comprehensive income for the year	<u>\$ 7,378,651</u>	<u>\$ 5,540,450</u>

- E. On January 21, 2021, the Company participated in the capital increase of Hotai Connected Co.,Ltd by acquiring 30,000,000 shares amounted to \$300,000.
- F. On January 28, 2021, Hotai Leasing Co., Ltd. sold for an amount of \$360,000 interest in Hotai Mobility Service Co., Ltd. to Hotai Connected Co., Ltd., as a result, its shareholding ratio decreased from 49.18% to 0%; the shareholding ratio of Hotai Connected Co., Ltd. increased to 49.18%. The company incurred changes in capital surplus amounting to \$17,254.
- G. On March 5, 2021, the Company's subsidiaries, Shanghai Hoyu Motor Service Co., Ltd., Shanghai Heling Motor Service Co., Ltd. and Shanghai Hozhan Motor Service Co., each

- invested RMB 400 thousand to participate in the capital increase of Shanghai Hede Used Vehicle Co., Ltd., which was not in proportion to its interests; as a result, each subsidiary increased its shareholding ratio to 23.81%.
- H. On March 30, 2021, the Company and its subsidiary, Chang Yuan Motor Co., Ltd., invested \$500,000 and \$200,000, respectively, to participate in the capital increase of Ho Xing International Automobile Co., Ltd.; as a result, their shareholding ratios increased to 50% and 20%, respectively. The investee was renamed as Hotai AutoBody Manufacturing Co., Ltd. on April 29, 2021.
 - I. On April 29, 2021, the Company's subsidiary, Eastern Motor Co., Ltd. participated in the capital increase of Hotai Mobility Service Co., Ltd. amounting to \$3 million. The shareholding ratio was 0.68%. As subsidiaries, Hotai Connected Co., Ltd. and Hotai Finance Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Mobility Service Co., Ltd. decreased to 41.10% and 27.40% from 60% and 40%, respectively, and the Company resulting in changes in capital surplus amounting to \$5,467 and \$1,649, respectively .
 - J. On December 2, 2021, the Company's subsidiaries, Shanghai Heling Motor Service Co., Ltd., Chongqing Heling Lexus Motor Sales & Service Co., Ltd., and Shanghai Yangpu Heling Motor Sales & Service Co., Ltd. invested RMB 170 million to set up the Shanghai Hekang Equipment Leasing Corporation, their shareholding ratios were 40%, 30% and 30%, respectively .
 - K. The Board of Directors of the Company's subsidiary, Hotai Innovation Marketing Corporation and Hotai Connected Co., Ltd. resolved to merge. On December 31, 2021, after the merger date, Hotai Connected Co., Ltd. was the surviving company and Hotai Innovation Marketing Corporation was the dissolved company.
 - L. On March 9, 2020, the Board of Directors of the Company's 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 and its shareholding ratio increased to 50.82%, resulting in changes in capital surplus amounted to \$1,270.
 - M. 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.
 - N. 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.
 - O. 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.
 - P. On December 24, 2020, the shareholders of the Company's 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.

(7) Property, plant and equipment

		Utility equipment						
		Buildings and structures	Owner-occupied	Lease	Office Equipment	Others	Construction in progress	Total
	Land							
At January 1, 2021								
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)
2021								
Opening net book amount as of January 1	\$ 3,047,957	\$ 485,995	\$ 2,275	\$ 230	\$ 105,533	\$ 7,938	\$ 5,474	\$ 3,655,402
Additions	-	7,135	985	-	25,051	-	5,553	38,724
Disposals	-	-	-	-	(5,876)	-	-	(5,876)
Reclassifications	(182,842)	3,632	1,156	-	5,380	-	(6,536)	(179,210)
Depreciation	-	(36,246)	(546)	(45)	(27,385)	(1,950)	-	(66,172)
Closing net book amount as of December 31	\$ 2,865,115	\$ 460,516	\$ 3,870	\$ 185	\$ 102,703	\$ 5,988	\$ 4,491	\$ 3,442,868
At December 31, 2021								
Cost	\$ 1,960,468	\$ 1,286,028	\$ 133,087	\$ 78,612	\$ 578,119	\$ 14,834	\$ 4,491	\$ 4,055,639
Revaluation gain	931,497	96	-	-	-	-	-	931,593
Accumulated depreciation and impairment	(26,850)	(825,608)	(129,217)	(78,427)	(475,416)	(8,846)	-	(1,544,364)
	\$ 2,865,115	\$ 460,516	\$ 3,870	\$ 185	\$ 102,703	\$ 5,988	\$ 4,491	\$ 3,442,868

	Land	Buildings and structures	Utility equipment		Office Equipment	Others	Construction in progress	Total
			Owner- occupied	Lease				
<u>At January 1, 2020</u>								
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)
	<u>\$ 3,047,957</u>	<u>\$ 519,577</u>	<u>\$ 1,845</u>	<u>\$ 274</u>	<u>\$ 104,705</u>	<u>\$ 7,177</u>	<u>\$ 341,682</u>	<u>\$ 4,023,217</u>
<u>2020</u>								
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	<u>\$ 3,047,957</u>	<u>\$ 485,995</u>	<u>\$ 2,275</u>	<u>\$ 230</u>	<u>\$ 105,533</u>	<u>\$ 7,938</u>	<u>\$ 5,474</u>	<u>\$ 3,655,402</u>
<u>At December 31, 2020</u>								
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)
	<u>\$ 3,047,957</u>	<u>\$ 485,995</u>	<u>\$ 2,275</u>	<u>\$ 230</u>	<u>\$ 105,533</u>	<u>\$ 7,938</u>	<u>\$ 5,474</u>	<u>\$ 3,655,402</u>

(8) Leasing arrangements - lessee

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 3 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 12,288	\$ 1,381
Buildings	757	80
	<u>\$ 13,045</u>	<u>\$ 1,461</u>

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 5,477	\$ 5,525
Buildings	332	320
	<u>\$ 5,809</u>	<u>\$ 5,845</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 130	\$ 35
Expense on short-term lease contracts and leases of low-value assets	44,503	45,360

D. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for lease amounted to \$50,399 and \$51,256, respectively.

E. For the years ended December 31, 2021 and 2020, the Company's addition of right-of-use assets was \$17,393 and \$0, 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, 2021 and 2020, the Company recognized rent income in the amount of \$236,822 and \$216,967, 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,	
	2021	2020
Less than 1 year	\$ 230,906	\$ 95,823
Between 1 and 2 years	229,222	79,356
Between 2 and 3 years	229,197	79,331
Between 3 to 4 years	106,153	4,937
Between 4 to 5 years	37,004	521
More than 6 years	41,282	7,250
	<u>\$ 873,764</u>	<u>\$ 267,218</u>

(10) Investment property

	Land	Buildings and Structures	Total
<u>At January 1, 2021</u>			
Cost	\$ 755,900	\$ 1,487,926	\$ 2,243,826
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(546,844)	(546,844)
	<u>\$ 1,498,163</u>	<u>\$ 953,065</u>	<u>\$ 2,451,228</u>
<u>2021</u>			
Opening net book amount as of January 1	\$ 1,498,163	\$ 953,065	\$ 2,451,228
Additions	-	235	235
Reclassifications	182,842	(3,632)	179,210
Depreciation	-	(32,073)	(32,073)
Closing net book amount as of December 31	<u>\$ 1,681,005</u>	<u>\$ 917,595</u>	<u>\$ 2,598,600</u>
<u>At December 31, 2021</u>			
Cost	\$ 938,742	\$ 1,478,784	\$ 2,417,526
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	-	(573,172)	(573,172)
	<u>\$ 1,681,005</u>	<u>\$ 917,595</u>	<u>\$ 2,598,600</u>

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 755,900	\$ 977,322	\$ 1,733,222
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(521,725)</u>	<u>(521,725)</u>
	<u>\$ 1,498,163</u>	<u>\$ 467,580</u>	<u>\$ 1,965,743</u>
<u>2020</u>			
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	<u>-</u>	<u>(25,119)</u>	<u>(25,119)</u>
Closing net book amount as of December 31	<u>\$ 1,498,163</u>	<u>\$ 953,065</u>	<u>\$ 2,451,228</u>
<u>At December 31, 2020</u>			
Cost	\$ 755,900	\$ 1,487,926	\$ 2,243,826
Revaluation gain	742,263	11,983	754,246
Accumulated depreciation	<u>-</u>	<u>(546,844)</u>	<u>(546,844)</u>
	<u>\$ 1,498,163</u>	<u>\$ 953,065</u>	<u>\$ 2,451,228</u>

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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment property	\$ 236,822	\$ 216,967
Direct operating expenses arising from the investment property that generated rental income during the year	\$ 32,073	\$ 25,119

B. The fair value of the investment property held by the Company was \$4,291,994 and \$4,080,085 as of December 31, 2021 and 2020, respectively.

(11) Short-term loans

<u>Type of loans</u>	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Unsecured loans	\$ 3,144,963	\$ 1,204,156
Annual interest rate	<u>0.65%~0.68%</u>	<u>0.70%~0.76%</u>

Interest expense recognised in profit or loss amounted to \$7,493 and \$10,478 for the years ended December 31, 2021 and 2020, respectively.

(12) Accounts payable (including related parties)

	December 31,	
	2021	2020
Accounts payable	\$ 3,596,303	\$ 3,597,373
Accounts payable - foreign currencies	3,500,749	4,778,696
	7,097,052	8,376,069
Valuation adjustment	21,162	21,084
	<u>\$ 7,118,214</u>	<u>\$ 8,397,153</u>

(13) Other payables

	December 31,	
	2021	2020
Year-end bonus payable	\$ 899,365	\$ 864,425
Dealer premium bonus payable	217,415	619,704
Remuneration payable to directors	385,761	334,054
Advertisement expense payable	378,037	160,435
Warranty cost payable	14,658	89,131
Remuneration payable to employees	192,880	167,027
Others	695,508	447,283
	<u>\$ 2,783,624</u>	<u>\$ 2,682,059</u>

(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, 2021 and 2020 were \$28,409 and \$28,401, respectively.

(15) Provisions

	Warranty
At January 1, 2021	\$ 3,018,403
Additional provisions during the year	1,141,939
Used during the year	(638,258)
At December 31, 2021	<u>\$ 3,522,084</u>

	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	<u>\$ 3,018,403</u>

Analysis of total provision:

	December 31,	
	2021	2020
Current	\$ 758,278	\$ 747,058
Non-current	\$ 2,763,806	\$ 2,271,345

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, 2021, 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, 2021 and December 31, 2021 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 \$9,285,046 (\$17.0 per share) and \$7,646,509 (\$14.0 per share) for the years 2021 and 2020, respectively. On March 24, 2022, the Board of Directors resolved that total dividends for the distribution of earnings for the year 2021 was \$10,923,584 at \$20 (in dollars) per share.

(19) Operating revenue

	Years ended December 31,	
	2021	2020
Revenue from contracts with customers - Sales revenue	\$ 137,225,462	\$ 134,723,411
Revenue from contracts with customers - Service revenue	1,646,778	1,329,032
	<u>\$ 138,872,240</u>	<u>\$ 136,052,443</u>

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,	
	2021	2020
Goods category:		
Sales of goods	\$ 137,225,462	\$ 134,723,411
Service revenue	1,646,778	1,329,032
	<u>\$ 138,872,240</u>	<u>\$ 136,052,443</u>
Timing of revenue recognition		
At a point in time	<u>\$ 138,872,240</u>	<u>\$ 136,052,443</u>

(20) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	\$ 835	\$ 187
Interest from short-term notes	8,183	10,085
Other interest income	47,373	55,653
	<u>\$ 56,391</u>	<u>\$ 65,925</u>

(21) Other income

	Years ended December 31,	
	2021	2020
Rental income	\$ 236,822	\$ 216,967
Others	1,039,442	909,612
	<u>\$ 1,276,264</u>	<u>\$ 1,126,579</u>

(22) Other gains and losses

	Years ended December 31,	
	2021	2020
Net gain on financial assets/liabilities at fair value through profit or loss	\$ 68,250	\$ 132,411
Gain on disposal of property, plant and equipment	812	1,303
Loss on abandonment of property, plant and equipment	(33)	(5)
Net currency exchange gain	527,937	422,820
Miscellaneous disbursements	(31,283)	(22,662)
	<u>\$ 565,683</u>	<u>\$ 533,867</u>

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

	Years ended December 31,	
	2021	2020
Employee benefit expense	\$ 2,237,748	\$ 2,147,001
Depreciation	104,054	96,972
	<u>\$ 2,341,802</u>	<u>\$ 2,243,973</u>

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

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 1,629,449	\$ 1,594,959
Labor and health insurance fees	73,153	65,768
Pension costs	28,409	28,401
Directors' remuneration	402,588	350,874
Other personnel expenses	104,149	106,999
	<u>\$ 2,237,748</u>	<u>\$ 2,147,001</u>

- 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, 2021 and 2020, employees' remuneration was accrued at \$192,880 and \$167,027, respectively; while directors' remuneration was accrued at \$385,761 and \$334,054, 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, 2021. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$192,880 and \$385,761 on March 24, 2022, and the employees' compensation will be distributed in cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2020 financial statements.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors 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

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Current tax:		
Current tax expense recognized in the current year	\$ 2,165,919	\$ 2,070,579
Tax on undistributed surplus earnings	157,481	154,749
Effect from investment tax credits	(1,614)	(960)
Prior year income tax under estimation	(1,350)	4,138
Total current tax	<u>2,320,436</u>	<u>2,228,506</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>178,209</u>	<u>124,242</u>
Total deferred tax	<u>178,209</u>	<u>124,242</u>
Income tax expense	<u>\$ 2,498,645</u>	<u>\$ 2,352,748</u>

B. Reconciliation between income tax expense and accounting profit

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Income tax expense at the statutory rate	\$ 3,741,882	\$ 3,240,324
Effects from adjustments based on regulation	(1,397,754)	(1,045,503)
Tax on undistributed surplus earnings	157,481	154,749
Effect from investment tax credits	(1,614)	(960)
Prior year income tax (over) under estimation	(1,350)	4,138
Income tax expense	<u>\$ 2,498,645</u>	<u>\$ 2,352,748</u>

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

		<u>Year ended December 31, 2021</u>		
		<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$	16,425	\$ 1,535	\$ 17,960
Warranty provision		437,257	95,654	532,911
Unrealized gain on inter-affiliate accounts		53,934	8,413	62,347
Others		<u>14,571</u>	<u>(13,897)</u>	<u>674</u>
		<u>522,187</u>	<u>91,705</u>	<u>613,892</u>
-Deferred tax liabilities:				
Gain on investment accounted for using equity method	(	940,143)	(269,914)	(1,210,057)
Land value increment tax	(	509,365)	-	(509,365)
Others	(	<u>29,313</u>	<u>-</u>	<u>(29,313)</u>
	(	<u>1,478,821</u>	<u>(269,914)</u>	<u>(1,748,735)</u>
	(\$	<u>956,634</u>	(\$ <u>178,209</u>)	(\$ <u>1,134,843</u>)

		<u>Year ended December 31, 2020</u>		
		<u>January 1</u>	<u>Recognized in profit or loss</u>	<u>December 31</u>
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$	14,649	\$ 1,776	\$ 16,425
Warranty provision		328,054	109,203	437,257
Unrealized gain on inter-affiliate accounts		43,951	9,983	53,934
Others		<u>40,458</u>	<u>(25,887)</u>	<u>14,571</u>
		<u>427,112</u>	<u>95,075</u>	<u>522,187</u>
-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	(	<u>29,313</u>	<u>-</u>	<u>(29,313)</u>
	(	<u>1,259,504</u>	<u>(219,317)</u>	<u>(1,478,821)</u>
	(\$	<u>832,392</u>	(\$ <u>124,242</u>)	(\$ <u>956,634</u>)

D. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 16,210,758	546,179	\$ 29.68
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 16,210,758	546,179	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	381	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 16,210,758	546,560	\$ 29.66
Year ended December 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 13,848,870	546,179	\$ 25.36
<u>Diluted earnings per share</u>			
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	546,516	\$ 25.34

(27) Changes in liabilities from financing activities

	Short-term loans	Dividend payable	Lease liabilities	Liabilities from financing activities-gross
January 1, 2021	\$ 1,204,156	\$ 6,330	\$ 1,472	\$ 1,211,958
Changes in cash flow from financing activities	1,940,807	(9,285,046)	(5,766)	(7,350,005)
Changes in other non-cash items	-	9,284,993	17,393	9,302,386
December 31, 2021	\$ 3,144,963	\$ 6,277	\$ 13,099	\$ 3,164,339
	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

7. RELATED PARTY TRANSACTIONS

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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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
HE JING CO., Ltd.	Subsidiary
Hozan Investment Co., Ltd.	Subsidiary
Ho Tai Service & Marketing Co., Ltd.	Subsidiary
Hotai Insurance Co., Ltd.	Subsidiary
Ho Tai Development Co., Ltd.	Subsidiary
Hotai Connected 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
Hotai Auto Body Sales Co., Ltd.	Subsidiary
Hotai Auto Body Manufacturing 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

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associate
Tau Miao Motor Co., Ltd. (Tau Miao)	Associate
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
New Auto Parts Co., Ltd.	Associate
Innovation Auto Parts Co., Ltd.	Associate
Heng Yun Investment Co., Ltd.	Associate

(2) Significant related party transactions and balances

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
(a)Interest income:		
-Associates		
Central Motor	\$ 27,554,308	\$ 27,104,011
Tau Miao	25,239,273	24,551,172
Taipei Motor	19,740,676	20,003,246
Kuotu	17,852,228	19,825,948
Kau Du	18,663,004	17,786,963
Nan Du	16,678,745	15,959,320
Others	2,906,267	2,844,327
-Subsidiaries	<u>7,101,879</u>	<u>6,366,682</u>
	<u>\$ 135,736,380</u>	<u>\$ 134,441,669</u>

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,	
	2021	2020
(b) Service revenue:		
Service sales:		
-Associates	\$ 3,313	\$ 3,304
-Subsidiaries		
Chang Yuan	1,619,498	1,307,387
Others	36	47
Contracted operating revenue:		
-Associates	23,932	18,294
	<u>\$ 1,646,779</u>	<u>\$ 1,329,032</u>

	Years ended December 31,	
	2021	2020
(c) Interest income:		
-Associates		
Central Motor	\$ 9,764	\$ 11,423
Tau Miao	8,961	10,327
Taipei Motor	6,968	8,439
Kau Du	6,616	7,503
Kuotu	6,270	8,499
Nan Du	5,913	6,726
Others	1,022	1,178
-Subsidiaries	1,741	1,770
	<u>\$ 47,255</u>	<u>\$ 55,865</u>

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%.

	Years ended December 31,	
	2021	2020
(d) Rental revenue:		
-Associates		
Kuotu	\$ 109,763	\$ 90,516
Others	35,451	28,737
-Subsidiaries		
Chang Yuan	83,013	80,399
Others	36,899	33,833
-Entities controlled by key management	2,270	2,595
	<u>\$ 267,396</u>	<u>\$ 236,080</u>

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,	
		2021	2020
(e) Warranty revenue (shown as deductions to warranty costs):			
-Associates			
Kuozui	\$	131,735	\$ 247,798
-Subsidiaries		30,365	24,478
-Entities controlled by key management			
TMAP		355,300	328,093
Others		-	54
	\$	<u>517,400</u>	<u>\$ 600,423</u>
		Years ended December 31,	
		2021	2020
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):			
-Associates			
Kuotu	\$	158,216	\$ 111,564
Others		129,191	128,681
-Subsidiaries		8,167	8,442
-Entities controlled by key management			
TMC		60,239	88,440
Others		2,341	5,592
	\$	<u>358,154</u>	<u>\$ 342,719</u>
		Years ended December 31,	
		2021	2020
(g) Miscellaneous income:			
-Associates			
Kuotu	\$	130,252	\$ 104,313
Others		173,274	140,832
-Subsidiaries			
Chang Yuan		139,512	69,129
Others		174,649	177,761
-Entities controlled by key management		29,274	32,772
	\$	<u>646,961</u>	<u>\$ 524,807</u>

B. Expenditures

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
(a) Interest expense:		
-Associates		
Kuozui	\$ <u>12,352</u>	\$ <u>11,491</u>

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%.

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
(b) Purchase of goods:		
-Associates		
Kuozui	\$ 48,030,779	\$ 37,407,296
Others	894,264	851,593
-Subsidiaries	2,286,198	2,160,500
-Entities controlled by key management		
TMC	42,368,272	49,480,568
Others	<u>6,116,638</u>	<u>5,493,501</u>
	<u>\$ 99,696,151</u>	<u>\$ 95,393,458</u>

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.

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
(c) Warranty cost:		
-Associates		
Kuotu	\$ 137,961	\$ 98,189
Central Motor	124,542	101,947
Tau Miao	107,519	84,117
Nan Du	82,709	63,283
Kau Du	79,840	62,971
Taipei Motor	77,763	57,263
Others	14,504	13,201
-Subsidiaries		
Chang Yuan	96,284	168,126
Others	9,822	7,814
-Entities controlled by key management	<u>1,148</u>	<u>627</u>
	<u>\$ 732,092</u>	<u>\$ 657,538</u>

	Years ended December 31,	
	2021	2020
(d) Advertisement expense:		
-Associates	\$ 37,834	\$ 29,218
-Subsidiaries		
Hotai Connected Co., Ltd.	273,484	26,067
Others	30,461	69,636
-Entities controlled by key management	3,998	6,818
	<u>\$ 345,777</u>	<u>\$ 131,739</u>

	Years ended December 31,	
	2021	2020
(e) Freight:		
-Associates		
Fan Tai	\$ 193,199	\$ 183,443
Yi Tai	75,845	78,998
Others	2,552	2,648
-Subsidiaries	1,490	1,416
	<u>\$ 273,086</u>	<u>\$ 266,505</u>

C. Receivables from (payables to) related parties

	December 31,	
	2021	2020
(a) Receivables from related parties:		
-Associates		
Central Motor	\$ 338,492	\$ 130,465
Tau Miao	319,982	114,222
Taipei Motor	230,338	89,473
Kau Du	268,932	70,177
Nan Du	251,405	71,637
Kuoto	83,459	89,133
Others	26,859	15,151
-Subsidiaries		
Chang Yuan	243,890	241,458
Others	89,206	53,765
	<u>\$ 1,852,563</u>	<u>\$ 875,481</u>

	December 31,	
	2021	2020
(b) Other receivables from related parties:		
-Associates	\$ 137,965	\$ 194,287
-Subsidiaries	60,637	49,436
-Entities controlled by key management	596	565
	<u>\$ 199,198</u>	<u>\$ 244,288</u>

	December 31,	
	2021	2020
(c) Dividends receivable:		
-Subsidiaries		
Hozan Investment Co., Ltd.	\$ 103,000	\$ -

	December 31,	
	2021	2020
(d) Payables to related parties:		
-Associates	\$ 741,180	\$ 351,045
-Subsidiaries	458,552	190,472
-Entities controlled by key management		
TMC	3,008,307	4,443,994
Others	553,869	393,165
	<u>\$ 4,761,908</u>	<u>\$ 5,378,676</u>

	December 31,	
	2021	2020
(e) Other payables		
-Associates	\$ 165,795	\$ 261,952
-Subsidiaries	241,564	104,077
-Entities controlled by key management	18	993
	<u>\$ 407,377</u>	<u>\$ 367,002</u>

(3) Endorsements and guarantees provided to related parties:

	December 31,	
	2021	2020
-Subsidiaries	USD -	USD 1,500,000

(4) Key management remuneration

	Years ended December 31,	
	2021	2020
Salaries and other short-term employee benefits	\$ 465,986	\$ 406,007

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, 2021 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 (Have renewed in 2021, contract terms remain effective from January 1, 2022 to December 31, 2024)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (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). (Have entered into in 2021(Toyota), contract effective from January 1, 2022)	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, 2021 to May 14, 2024	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd.	Starting from July 1, 2009	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
	Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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,	
	2021	2020
<u>Financial assets</u>		
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	9,258,889	8,050,052
Cash and cash equivalents	9,128,578	4,079,705
Notes receivable (including related parties)	2,673	194
Accounts receivable (including related parties)	2,020,921	910,677
Other receivables	756,354	775,166
Guarantee deposits paid (shown as “other non-current assets”)	26,926	22,107
	<u>\$ 21,694,341</u>	<u>\$ 14,337,901</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities mandatorily measured at fair value through profit or loss	\$ 27,722	\$ 62,172
Financial liabilities at amortized cost		
Short-term loans	3,144,963	1,204,156
Notes payable	7,459	-
Accounts payable (including related parties)	7,118,214	8,397,153
Other payables	2,837,624	2,682,059
Guarantee deposits received (shown as “other non-current liabilities”)	817	818
	<u>\$ 13,136,799</u>	<u>\$ 12,346,358</u>
Lease liability	<u>\$ 13,099</u>	<u>\$ 1,472</u>

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:

<u>December 31, 2021</u>				
		Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	440	27.6800	\$ 12,180
JPY:NTD	JPY	66,654	0.2405	16,030
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	240,458	27.6800	\$ 6,655,880
JPY:NTD	JPY	52,590	0.2405	12,648

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

- 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, 2021 and 2020, amounted to \$527,937 and \$422,820 respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 122	\$ -
JPY:NTD	1%	160	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 66,559	-
JPY:NTD	1%	126	-

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

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:

<u>December 31, 2021</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 3,144,963	\$ -	\$ -
Accounts payable	7,118,214	-	-
Other payables	2,837,624	-	-
Lease liability	5,897	5,897	1,474

Non-derivative financial liabilities:

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

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Bond investment	\$ -	\$ 500,000	\$ -	\$ 500,000
Forward exchange contracts	-	10,987	-	10,987
Equity securities	395,730	-	-	395,730
Financial assets at fair value through other comprehensive income				
Equity securities	<u>8,930,633</u>	<u>-</u>	<u>328,256</u>	<u>9,258,889</u>
	<u>\$ 9,326,363</u>	<u>510,987</u>	<u>\$ 328,256</u>	<u>\$10,165,606</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 27,722</u>	<u>\$ -</u>	<u>\$ 27,722</u>

<u>December 31, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Bond investment	\$ -	\$ 500,000	\$ -	\$ 500,000
Forward exchange contracts	-	8,347	-	8,347
Equity securities	112,785	-	-	112,785
Financial assets at fair value through other comprehensive income				
Equity securities	<u>7,741,538</u>	<u>-</u>	<u>308,514</u>	<u>8,050,052</u>
	<u>\$ 7,854,323</u>	<u>508,347</u>	<u>\$ 308,514</u>	<u>\$ 8,671,184</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 62,172</u>	<u>\$ -</u>	<u>\$ 62,172</u>

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:

	<u>Listed stocks</u>	<u>Open-end fund</u>
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, 2021 and 2020, 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, 2021 and 2020:

	Years ended December 31,	
	2021	2020
	<u>Equity securities</u>	<u>Equity securities</u>
At January 1	\$ 308,514	\$ 280,276
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	19,742	28,238
At December 31	<u>\$ 328,256</u>	<u>\$ 308,514</u>

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:

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 328,256	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.
	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
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.

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, 2021 and 2020.

13. SUPPLEMENTARY DISCLOSURES

Related information of significant transactions are as follows (Information on investees is based solely on the reports of other auditors. 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, 2021:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 421,750	2022/1/10~2022/4/14	(\$ 16,735)	(\$ 16,735)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 25,010	2022/1/4~2022/3/31	1,542	1,542
Hoyun International Lease Co., Ltd.	Cross currency swaps	JPY 33,800,000	2023/8/7~2024/9/9	(578,276)	(578,276)

- (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.

Loans to others

Year ended December 31, 2021

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

Table 1

Maximum outstanding balance during the year ended																		
Number	Creditor	Borrower	General ledger		Balance at			Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
			account	party	December 31, 2021	December 31, 2021	Item							Value				
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 527,483	\$ 521,125	\$ 12,594	2.15%	Short-term financing	-	Operations	\$ -	-	None	-	\$ 1,277,140	\$ 2,554,281	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	261,803	260,563	25,622	2.15%	"	-	"	-	-	"	-	484,946	969,892	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	131,871	130,281	-	2.15%	"	-	"	-	-	"	-	178,704	357,407	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	370,888	369,130	137,143	2.15%	"	-	"	-	-	"	-	699,533	1,399,066	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	571,440	534,153	34,611	2.15%	"	-	"	-	-	"	-	976,656	1,953,312	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,854	7,817	-	2.15%	"	-	"	-	-	"	-	10,621	21,241	"
7	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	5,236	5,211	-	2.15%	"	-	"	-	-	"	-	12,946	25,892	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	175,828	173,708	-	2.15%	"	-	"	-	-	"	-	291,518	583,037	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	174,535	173,708	77,952	2.15%	"	-	"	-	-	"	-	303,147	606,295	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	100,358	99,882	71,828	2.15%	"	-	"	-	-	"	-	181,185	362,370	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	347,417	86,463	2.15%	"	-	"	-	-	"	-	513,533	1,027,067	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	43,634	43,427	-	3.35%	"	-	"	-	-	"	-	102,707	205,413	Note 4
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	351,655	347,417	255,004	2.15%	"	-	"	-	-	"	-	512,788	1,025,576	Note 1
13	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	153,849	17,371	17,154	2.15%	"	-	"	-	-	"	-	230,585	461,170	"
14	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	174,535	173,708	138,359	2.15%	"	-	"	-	-	"	-	312,258	624,516	"
15	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	79,122	60,798	-	2.15%	"	-	"	-	-	"	-	109,862	219,724	"
16	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	263,741	217,136	216,354	2.15%	"	-	"	-	-	"	-	357,629	715,259	"
17	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	307,698	303,990	247,708	2.15%	"	-	"	-	-	"	-	455,324	910,649	"
18	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	130,902	130,281	26,795	2.15%	"	-	"	-	-	"	-	259,315	518,630	"
19	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	Hotong Motor Investment Co., Ltd.	"	Y	34,907	34,742	21,714	2.15%	"	-	"	-	-	"	-	47,996	95,992	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	659,353	542,839	186,737	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	219,784	217,136	-	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	131,871	130,281	-	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	285,720	282,276	-	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	87,914	86,854	-	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,727	8,685	-	2.85%	"	-	"	-	-	"	-	9,062,774	18,125,547	"

maximum outstanding balance during the year ended																	
Number	Creditor	Borrower	General ledger account	Related party	Balance at		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					December 31, 2021	December 31, 2021							Item	Value			
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Other receivables	Y	\$ 13,090	\$ 13,028	\$ -	2.85%	Short-term financing	-	Operations	\$ -	None	-	\$ 9,062,774	\$ 18,125,547	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	219,784	217,136	169,105	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	174,535	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	43,634	43,427	-	3.35%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	461,547	455,985	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	351,655	347,417	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	Y	175,828	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	131,871	130,281	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	218,169	217,136	35,263	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	351,655	347,417	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	219,784	217,136	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	175,828	173,708	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	43,634	43,427	-	2.85%	"	-	"	-	"	-	9,062,774	18,125,547	"
20	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	"	Y	87,914	86,854	-	2.85%	"	-	"	-	"	-	1,812,555	3,625,109	Note 3
20	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	741,775	738,261	738,261	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	131,871	130,281	86,854	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	131,871	130,281	130,281	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	"	Y	87,914	86,854	43,427	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
20	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	Y	65,451	65,141	21,714	3.35%	"	-	"	-	"	-	1,812,555	3,625,109	"
21	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	218,169	217,136	-	4.30%	"	-	"	-	"	-	4,535,165	9,070,330	Note 1
21	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Y	2,000,000	2,000,000	-	0.72%	"	-	"	-	"	-	2,275,526	4,551,052	Note 5

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 200% of the creditor's net value. The limit on loans to a single entity is 100% of the company's total equity.

Note 2: For Hotong Motor Investment Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by the same parent company is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Note 3: The limit on total loans to the borrower (HOTONG MOTOR INVESTMENT CO., LTD.) and creditor (Nanjing HoZhan Motor Sales and Service Co., Ltd., Hoyun International Lease Co., Ltd., Beijing Heling Lexus Motor Sales & Service Co., Ltd., Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd., Tianjin Binhai New Area Heling LEXUS Motor Service Co., Ltd., Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the HOTONG MOTOR INVESTMENT CO., LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 4: The limit on total loans to the borrower (CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.) and creditor (Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.) for operations short-term financing is prescribed in the CHONGQING HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 5: The borrower (Hotai Finance Co., Ltd.) and the creditor (HE JING CO., LTD.) who had the requirement of short-term financing for operating capital, according to the prodcedures of loans to others should not exceed 20% of the net assets and the limit of loans to single party should not exceed 10% of net assets.

Ho Tai Motor Co., Ltd.

Provision of endorsements and guarantees to others

Year ended December 31, 2021

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Relationship with the endorser/guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021	Outstanding endorsement/ guarantee amount at December 31, 2021	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ the endorser/	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name													
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.		Note 4.b	\$ 22,131,255	\$ 42,803	-	\$ -	-	-	\$ 36,885,426	Y	N	Y	Note 1
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.		Note 4.a	22,755,264	2,181,693	2,171,335	1,778,857	-	9.54%	22,755,264	Y	N	Y	Note 2
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.		"	22,755,264	361,734	355,535	187,793	-	1.56%	22,755,264	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.		"	22,755,264	6,000,000	6,000,000	-	-	26.37%	22,755,264	Y	N	N	"
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.		Note 4.b	309,188	28,535	-	-	-	-	513,313	Y	N	Y	Note 3

Note 1 : The limit on total endorsement is no more than 50% of the Company's total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 2 : For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of it's total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity.

Note 3 : For Toyota Material Handling Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 4 : Relationship between the endorser/guarantor:

a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.

b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Ho Tai Motor Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2021

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

Table 3

Securities held by		Type and name of securities	Relationship with the securities issuer	General ledger account		As of December 31, 2021				Footnote
						Number of shares	Book value	Ownership (%)	Fair value	
Ho Tai Motor Co., Ltd.		Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current		20,617,157	\$ 732,940	0.15%	\$ 732,940	
		- Toyota Motor Corporation	-	"		15,956,000	\$ 8,079,684	0.10%	\$ 8,079,684	
		- Shihlin Electric & Engineering Corporation Etc.	None	"		-	118,009	0.00%~0.42%	\$ 118,009	
		Taian Insurance Co., Ltd. Etc.	-	"		-	328,256	0.42%~3.10%	\$ 328,256	
Hozan Investment Co., Ltd.		Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current		-	\$ 500,000	-	\$ 500,000	
		Stock - Toyota Motor Corporation	-	Financial assets at fair value through profit or loss - current		781,500	364,437	0.00%	395,730	
				Valuation adjustment of financial assets			31,293		-	
				Total			895,730		\$ 895,730	
Toyota Material Handling Taiwan Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,357	0.50%	\$ 3,357	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		49,471,383	\$ 506,728	-	\$ 517,159	
		- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets			10,431		-	
				Total			517,159		\$ 517,159	
Carnax Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,631	0.06%~0.50%	\$ 3,631	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		35,665,722	\$ 370,000	-	\$ 372,839	
		- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets			2,839		-	
				Total			372,839		\$ 372,839	
Ho Tai Development Co., Ltd.		Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 2,109	-	\$ 2,109	
		Ho An Insurance Agency Co., Ltd. Etc.	-	"		-	\$ 3,631	0.05%~0.50%	\$ 3,631	
		President securities Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current		-	\$ 248,941	-	\$ 249,021	
				Valuation adjustment of financial assets			80		-	
Ho Tai Service & Marketing Co., Ltd		Bestaiwan Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current		11,974	\$ 249,021	0.11%	\$ 249,021	
		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current		-	\$ 30,000	-	\$ 30,557	
		- BOT Money Market Fund		Valuation adjustment of financial assets			557		-	
				Total			30,557		\$ 30,557	
Hotai Finance Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current		-	\$ 3,357	0.50%	\$ 3,357	
		Beneficiary certificates	-	"		-	\$ 3,357	0.50%	\$ 3,357	
		- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current		3,325,555	\$ 34,602	-	\$ 34,764	
		- Mega Diamond Money Market Fund	Not applicable	"		7,974,387	100,545	-	101,096	
Hotai Leasing Co., Ltd.		Ho An Insurance Agency Co., Ltd. Etc.		Valuation adjustment of financial assets			713		-	
		Beneficiary certificates		Total			135,860		\$ 135,860	
		- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current		4,827,821	\$ 50,000	-	\$ 50,469	
		- Mega Diamond Money Market Fund		Valuation adjustment of financial assets			469		-	
Hotai Innovation marketing corporation		Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current			\$		\$	
		- Franklin Templeton Sinoam Money Market Fund		Total			50,469		\$ 50,469	

Securities held by	Type and name of securities	Relationship with the securities issuer	As of December 31, 2021				
			General ledger account	Number of shares	Book value	Ownership (%)	Fair value
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund - Mega Diamond Money Market Fund - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	8,647,816	\$ 90,000	-	\$ 90,402
		Not applicable	"	3,962,122	50,000	-	50,230
		Not applicable	"	6,688,569	74,342	-	74,425
			Valuation adjustment of financial assets		715		-
Hotong Motor Investment Co., Ltd.	Structured deposit - Fubon Bank (China) Co., Ltd. Structured deposit - Cathay United Bank	Total			215,057		215,057
		Not applicable	Financial assets at fair value through profit or loss - current	-	217,136	-	217,136
		Not applicable	"	-	217,136	-	217,136
			Total		434,272		434,272
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation CTBC Hwa-win Money Market Fund	None	Financial assets at fair value through other comprehensive income - non-current	-	21,180	10.48%	21,180
		Not applicable	Financial assets at fair value through profit or loss - current	2,696,193	\$ 30,000	-	\$ 30,001
			Valuation adjustment of financial assets		1		-
		Total			30,001		30,001
ChyuanAn Transport Co.,Ltd	CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,246,828	\$ 25,000	-	\$ 25,001
			Valuation adjustment of financial assets		1		-
		Total			25,001		25,001

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2021

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

Table 4

		Balance as at January 1, 2021			Addition		Disposal				Balance as at December 31, 2021			
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Hotai Motor Co., Ltd.	Hotai Connected Co., Ltd.	Investments accounted for using equity method	Hotai Connected Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Investments accounted for using equity method	Hotai AutoBody Manufacturing Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	Investments accounted for using equity method	Hoing Mobility Service Co., Ltd.	Associates	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Finance Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Investments accounted for using equity method	Hoyun (Shanghai) Vehicle Leasing Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Investments accounted for using equity method	He Jing Co., Ltd.	Not applicable	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -
Ho Tai Development Co., Ltd.	President securities Corp.-PGN0085	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ 695,943	-	\$ 516,925	-	\$ 967,763	\$ 963,927	\$ 3,836	-	\$ 249,021
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 651,407	-	\$ 441,462	\$ 434,271	\$ 7,191	-	\$ 217,136
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	-	\$ 651,407	-	\$ 439,329	\$ 434,271	\$ 5,058	-	\$ 217,136

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

last transaction of the real estate is disclosed below:									
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction
Hotai Finance Co., Ltd.	No. 16-4, Jiuzong Sec., Neihu Dist., Taipei City	February 4, 2021	\$ 719,500	Paid in full	Lian Hong Construction Co., Ltd.	Non-related party	-	-	-
	Four short sections								
Hotai Finance Co., Ltd.	numbered 254 in Xihu Sec., Neihu Dist., Taipei City	December 1, 2021	540,000	135,000	Elison Fashion Co., Ltd.	Non-related party	-	-	-

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Note4: In December 2021, the subsidiary, Hotai Finance Co., Ltd., entered into a real estate agreement with the non-related party to purchase land and buildings in four short sections in Xihu Sec., Neihu Dist., Taipei City. As the transfer of ownership has not been completed in the fourth quarter of 2021, they were shown as 'other non-current assets, others'.

Ho Tai Motor Co., Ltd.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 27,554,308	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 338,492	17%
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	25,239,273	18%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	319,982	16%
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	19,740,676	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	230,338	11%
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	18,663,004	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	268,932	13%
Ho Tai Motor Co., Ltd.	Kuotou Motor Co., Ltd.	"	"	17,852,228	13%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	83,459	4%
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	16,678,745	12%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	251,405	12%
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	2,784,485	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Not applicable	"	243,890	12%
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,877,404	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	"	26,094	1%
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,589,884	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	34,037	2%
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	1,056,655	1%	Collection at sight	"	"	39,934	2%
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd	"	"	728,450	1%	Collection at sight	"	"	-	-
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	"	124,251	-	Collection at sight	"	"	14,653	1%
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management Associates	Purchases	42,368,272	34%	Closes its accounts 15 days after the end of each month	Not applicable	"	(3,008,307)	42%
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	48,030,779	38%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(649,479)	9%
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management Subsidiary	"	3,873,617	3%	Closes its accounts 15 days after the end of each month	"	"	(444,096)	6%
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	"	2,284,862	2%	Closes its accounts 16 days after the end of each month	"	"	(458,263)	6%
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management Associates	"	770,125	1%	Closes its accounts 15 days after the end of each month	"	"	(44,412)	1%
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	"	886,815	1%	Closes its accounts 16 days after the end of each month	"	"	(90,472)	1%
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	333,605	-	Closes its accounts 15 days after the end of each month	"	"	(12,892)	-

Differences in transaction terms compared to third party									
Transaction					Notes/accounts receivable (payable)				
Relationship with the counterparty					Percentage of total notes/accounts receivable				
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance
Ho Tai Motor Co., Ltd.	Toyota-Motor-Sales-USA	Entity controlled by the Company's key management Associates	Purchases	\$ 1,060,446	1%	Closes its accounts 15 days after the end of each month	Not applicable	Normal	(\$ 18,057)
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	Company's key management Associates	Sales	566,164	3%	14 days after invoice date	Normal	"	4,116
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.		"	219,543	1%	Closes its accounts on the next Monday and Wednesday after the end of each week	"	"	11,107
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	613,911	3%	Collection at sight	"	"	53,880
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	12,278,777	69%	Closes its accounts on the next Monday and Wednesday after the end of each week	Not applicable	Not applicable	(107,970)
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	2,784,485	16%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(243,890)
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	Sales	2,284,862	30%	Closes its accounts 16 days after the end of each month	Normal	Normal	458,263
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	1,085,144	15%	Closes its accounts 10 days after the end of each month	"	"	265,233
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	289,275	4%	Closes its accounts 35 days after the end of each month	"	"	32,709
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	287,380	4%	Closes its accounts 35 days after the end of each month	"	"	34,498
Carmax Co., Ltd.	Innovation AUTO Parts Co., Ltd.	"	"	214,828	3%	Closes its accounts 25 days after the end of each month	"	"	8,049
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	190,926	3%	Closes its accounts 90 days after the end of each month	"	"	19,463
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	"	"	129,353	2%	Closes its accounts 40 days after the end of each month	"	"	-
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	788,211	14%	Closes its accounts 10 days after the end of each month	"	"	(66,610)
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	"	"	255,738	5%	Closes its accounts 30 days after the end of each month	"	"	(38,208)
Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	255,738	48%	Closes its accounts 30 days after the end of each month	"	"	38,208
Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co.,Ltd. Associates	"	"	146,187	28%	Closes its accounts 30 days after the end of each month	"	"	1,216
Carmax Co., Ltd.	AIM Technology Corp.	"	Purchases	1,452,405	26%	Closes its accounts 21 days after the end of each month	"	"	(165,919)
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	124,251	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(14,653)
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	2,812,475	31%	Payment at sight	"	"	(6,212)
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,319,549	14%	Payment at sight	"	"	-
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	1,056,655	12%	Payment at sight	"	"	(39,934)
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	1,102,721	12%	Payment at sight	"	"	(1,094)
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	910,173	10%	Payment at sight	"	"	-
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	713,914	8%	Payment at sight	"	"	-
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	613,911	7%	Payment at sight	"	"	(53,880)
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	478,140	5%	Payment at sight	"	"	(3,740)
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	Sales	228,056	99%	Collection at sight	"	"	11,812
Hotai Leasing Co., Ltd.	Eastern Motor Co., Ltd.	"	Purchases	136,367	1%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(3,782)
Hoing Mobility Service Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	728,450	47%	Payment at sight	"	"	-

Note

Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Unit price	
						Credit term	Balance

Hoing Mobility Service Co., Ltd. Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd. Ho Tai Motor Co., Ltd.	Associates Ultimate parent company	Purchases "	\$ 228,056 2,589,884	15% 94%	Payment at sight Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal "	Normal "	Normal "	Percentage of total notes/accounts receivable (payable)	Footnote
Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	Sales	136,367	5%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	3,782	27% 76%	Note
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	416,963	72%	Closes its accounts 15 days after the end of each month	Not applicable	"	(1,200)	-	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	788,211	94%	Closes its accounts 10 days after the end of each month	Normal	"	66,610	87%	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Subsidiary	Purchases	368,309	4%	Closes its accounts 26 days after the end of each month	"	"	(18,400)	5%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	"	1,368	-	Closes its accounts 60 days after the end of each month	"	"	-	-	
Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	368,309	91%	Closes its accounts 26 days after the end of each month	"	"	18,400	94%	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	1,368	-	Closes its accounts 60 days after the end of each month	"	"	-	-	
Hotong Motor Investment Co.,Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Associates	Purchases	146,187	87%	Closes its accounts 30 days after the end of each month	"	"	(1,216)	-	
Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Sales	176,592	4%	Collection at sight	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	3,520,079	97%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	322,207	15%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	2,642,203	98%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	2,044,679	82%	Payment in advance	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	2,328,492	92%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,257,873	97%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,813,417	96%	Payment in advance	"	"	-	-	
Tianjin Heyi International Trading Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Associates	"	240,583	44%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Sales	240,583	10%	Payment in advance	"	"	-	-	
Hoyun International Lease Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Purchases	176,592	79%	Payment at sight	"	"	-	-	

Note: Hotai Leasing Co., Ltd., Hoing Mobility Service Corporation and Hoyun International Lease Co., Ltd., purchased vehicles from parent company and associates for renting services, the related assets are reported under property, plant, and equipment.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

Ho Tai Motor Co., Ltd.

Year ended December 31, 2021

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

Relationship with the counterparty	Balance as at December 31, 2021	Overdue receivables	
		Turnover rate	Action taken
Associates	\$ 338,492	117.51	-
	Other receivables 12,283		
"	Accounts receivable 319,982	116.26	-
	Other receivables 10,899		
Subsidiary	Accounts receivable 243,890	11.47	-
	Other receivables 28,042		
Associates	Accounts receivable 230,338	123.45	-
	Other receivables 2,595		
"	Accounts receivable 251,405	103.26	-
	Other receivables 7,788		
"	Accounts receivable 268,932	110.07	-
	Other receivables 8,522		
"	Other receivables 103,000	-	-
"	Accounts receivable 265,233	4.20	-
Ultimate parent company	Accounts receivable 458,263	7.05	-

Ho Tai Motor Co., Ltd.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2021

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

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 2,784,485	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,619,498	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	243,890	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	81,808		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,589,884	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	458,263	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	124,251	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	1,056,655	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Corporation	1	Sales revenue	728,450	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	221,717	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	Sales revenue	91,541	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	53,880		-
1	Chang Yuan Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	340,622		-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	613,911	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	He Jing CO., LTD.	3	Sales revenue	223,677		-
2	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Sales revenue	548,064	Collection at sight	-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	136,367		-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	3	Sales revenue	2,284,862	Closes its accounts 16 days after the end of each month	1%
3	Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	3	Accounts payable	66,610		-
4	Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	146,187	Closes its accounts 30 days after the end of each month	-
4	Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	255,738	Closes its accounts 30 days after the end of each month	-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	186,737		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	255,004		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	138,359		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	137,143		-
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	86,463		-
5	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	216,354		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	247,708		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	169,105		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	\$ 71,828		-
5	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	738,261		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co.,Ltd.	3	Other payables	77,952		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	60,871		-
6	Shanghai Hoyu Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	76,458		-
7	SHANGHAI YANGPU HELING MOTOR SALE & SERVICE CO., LTD.	Hoyun International Lease Co., Ltd.	3	Sales revenue	94,012		-
8	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	176,592		-
9	Shanghai Hozhan Motor Service Co.,Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	240,583	Prepayments to suppliers	-
9	Shanghai Hozhan Motor Service Co.,Ltd.	Nanjing Hozhan Motor Sales and Service Co.,LTD.	3	Sales revenue	63,388	Prepayments to suppliers	-
10	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	Sales revenue	228,056	Collection at sight	-
11	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	1,368	Closes its accounts 60 days after the end of each month	-
12	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	368,309		-
13	Hotai AutoBody Manufacturing Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	70,482		-
14	Hoing Mobility Service Corporation	Hotai Leasing Co., Ltd.	3	Rent income	84,931		-
15	Hotai Connected Co., Ltd	Ho Tai Motor Co., Ltd.	2	Service revenue	176,280		-
16	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	3	Property, plant and equipment; other non-current assets, others	469,140	Based on the agreement	-
17	Nanjing Hozhan Motor Sales and Service Co.,LTD.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	47,354		-
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	788,211		-
19	Tianjin Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	61,214		-

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at ending period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Year ended December 31, 2021

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

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)				Book value
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,201,122	\$ 7,201,122	-	100.00	\$ 23,596,865	\$ 3,181,840	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	5,242,021	3,335,506	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,014,279	3,014,279	108,897,360	100.00	9,256,665	1,349,567	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	313,500,000	100.00	4,494,197	609,375	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,649,211	789,055	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	3,411,607	1,364,479	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,673,305	744,007	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,408,476	411,461	"
Ho Tai Motor Co., Ltd.	Carnax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,573,014	1,064,917	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,471	6,415	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	1,197,311	448,938	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,315,675	656,235	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,130,250	616,305	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	70,597,690	100.00	1,030,626	160,377	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	39,268,179	100.00	447,486	27,196	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	301,184	78,604	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	394,678	39,091	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	126,413	32,906	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25.00	114,033	124,371	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	34,961	62,531	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	879,060	579,060	113,000,000	100.00	722,874	83,307	"
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	500,000	-	50,000,000	50.00	500,556	845	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	96,880	96,880	3,500,000	70.00	161,410	22,260	An indirect wholly-owned subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	33,216	33,216	1,200,000	40.00	-	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,003	62,003	233,782,831	45.39	10,350,024	3,141,443	-
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,197,964	993,827	-
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	393,041	63,394	-
										Subsidiary's investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021		Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Footnote
				Balance at December 31, 2021	Balance as at December 31, 2020	Number of shares	Ownership (%)			
				\$	\$				\$	
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	448,938	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	"	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	968,074	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	111,309	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Innovation Marketing Co., Ltd.	"	Retail and wholesale of collections	-	10,000	-	-	91,889	-	An indirect wholly-owned subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,118,272	1,118,272	40,400,000	50.50	788,075	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	"	"	1,096,128	1,096,128	39,600,000	49.50	788,075	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	1,817	-	"
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	-	300,000	-	-	1,817	-	"
Hotai Connected Co., Ltd	Hoing Mobility Service Co., Ltd.	"	"	300,000	-	30,000,000	49.18	1,817	-	"
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	57,520	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	"	120,000	120,000	12,000,000	27.40	57,520	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	810,000	-	81,000,000	81.00	11,800	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	328	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	39,225	39,225	7,000,000	100.00	222	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	244	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	100,000	100,000	27,190,239	100.00	90,520	-	"
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	13,042	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	50,000	5,000,000	100.00	29,367	-	An indirect wholly-owned subsidiary
Ho Tai Development Co., Ltd	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	58,263	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	6,317	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	23,403	-	"
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	"	"	-	4,000	-	-	9,589	-	"
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	"	Crane and hoist services engineering and transportation and storage	-	7,000	-	-	9,147	-	"
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	"	"	-	3,000	-	-	9,857	-	"
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	13,042	-	Subsidiary's investee company accounted for using the equity method
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	252	-	An indirect wholly-owned subsidiary
Carnax Co., Ltd.	Smart Design Technology Co., Ltd.	Taiwan	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	62,531	-	Subsidiary
Carnax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products and accessories	38,500	38,500	3,850,000	35.00	6,415	-	Subsidiary's investee company accounted for using the equity method
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	4,542	-	An indirect wholly-owned subsidiary
Eastern Motor Co., Ltd.	Daleon Auto Parts And Accessories Corporation	"	"	500	500	50,000	100.00	269	-	"
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	200,000	-	20,000,000	20.00	845	-	Subsidiary
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	"	Sales of vehicle bodies	40,000	-	4,000	100.00	2,510	-	An indirect wholly-owned subsidiary

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Year ended December 31, 2021

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

Table 10

	Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote	
						Mainland China	Remitted to Taiwan								
															\$
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 3,544,286	Note 2	\$	1,700,936	\$	-	\$	1,334,153	100.00	\$ 1,334,153	\$ 9,062,774	\$	-	Note 2.1
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	93,282	"		93,282		-		141,302	100.00	141,302	484,946		-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	130,281	"		10,172		-		-	10.48	-	10,172		-	Note 2.2
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	83,040	"		27,680		-		-	40.00	-	-		-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	166,080	"		166,080		-		205,086	100.00	205,086	513,533		-	Note 2.1
Shanghai Hozhan Motor Service Co., Ltd.	"	83,040	"		83,040		-		48,604	100.00	48,604	178,704		-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	138,400	"		96,880		-		22,260	70.00	15,582	161,410		-	"
Shanghai Heling Motor Service Co., Ltd.	"	96,880	Note 3		72,660		-		485,701	100.00	485,701	1,277,140		-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	130,281	Note 2		10,899		-		-	10.48	-	10,899	26,106	Note 2.2	
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	166,080	"		166,080		-		12,889	100.00	12,889	181,185		-	Note 2.1
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	377,832	"		257,424		-		28,642	100.00	28,642	259,315		-	"
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	"	43,427	Note 3		-		-		2,612	100.00	2,612	47,996		-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	160,544	Note 2		160,544		-		113,048	100.00	113,048	357,629		-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	179,920	"		179,920		-		206,129	100.00	206,129	455,324		-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,214,400	"		2,214,400		-		788,075	55.61	438,270	2,522,267		-	"
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	217,136	Note 3		-		-		6,018	55.61	3,347	139,593		-	"
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	651,407	Note 3		-		-		11,965	55.61	6,654	298,783		-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	83,040	Note 2		83,040		-		252	45.01	113	48,095		-	Note 2.2
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	332,160	Note 3		-		-		145,258	100.00	145,258	512,788		-	Note 2.1
Tianjin Hozhan Motor Service Co., Ltd.	"	297,909	"		-		-		22,664	100.00	22,664	312,258		-	"
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	332,160	"		-		-		1,381	35.00	(483)	58,979		-	Note 2.2
Carnax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	36,814	Note 1		36,814		-		49,126	51.00	25,054	155,494		-	"
Guangzhou Gac Changho Autotech Corporation	"	88,391	"		39,776		-		42,072	22.95	9,655	41,272	131,149	"	
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	276,800	Note 3		-		-		81,711	35.00	28,599	142,902		-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	415,200	Note 3		-		-		70,963	35.00	24,837	202,152		-	Note 2.3
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	332,160	"		-		-		85,418	35.00	29,896	197,825		-	Note 2.2

Investment method (Note 1)	Investee in Mainland China	Main business activities	Paid-in capital	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2021	Book value of investment in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote	
				Investment amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted back to Taiwan for the year ended December 31, 2021								
				\$	\$								
Note 3	Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,520	-	-	\$ -	10,691	35.00	(\$ 3,742)	\$ -	-	Note 2.3	
"	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,239	-	-	-	37,773	71.43	(26,981)	(895)	-	Note 2.1	
"	Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,343	-	-	-	743	100.00	743		10,621	-	"
"	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	464,238	-	-	-	158,162	100.00	154,044		699,533	-	"
"	Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	998,821	-	-	-	1,905	100.00	(1,905)	(1,905)	976,656	-	"
"	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,028	-	-	-	3,023	100.00	3,023		12,946	-	"
"	Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	86,854	-	-	-	12,790	100.00	12,790		109,862	-	"
"	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	43,427	-	-	-	32,325	50.00	(16,163)		973	-	"
"	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	276,800	-	-	-	7,965	100.00	(7,965)		291,518	-	"
"	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	290,640	-	-	-	997	100.00	(997)		303,147	-	"
"	Tianjin Binhai Heling LEXUS Motor Service Co.,Ltd.	Sales and repairing of vehicles	130,281	-	-	-	8,901	35.00	3,115		42,183	-	Note 2.2
"	Tianjin Yongda Communication Technology Co., LTD.	Trading of vehicle products / accessories and property management	255,264	-	-	-	1,102	35.00	(7,785)		168,318	-	"
"	Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	130,281	-	-	-	7,331	70.00	(5,132)		90,916	-	Note 2.1
"	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	119,024	-	-	-	8,966	35.00	(3,138)		42,142	-	Note 2.3
"	Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	21,714	-	-	-	8,274	100.00	(4,858)		480,691	-	Note 2.1
"	Shanghai Fengyi Construction Decoration Co.,Ltd.	"	243,191	-	-	-	20,772	70.00	680		639,058	-	"
"	Shanghai Hekang Equipment Leasing Co., Ltd.	Leasing business	738,259	-	-	-	-	100.00	-		738,259	-	"

Note 1: The investmets are classified as follows:
(1) Direct investment in Mainland China.
(2) Investment in Mainland China companies through a company invested and established in a third region.
(3) Others.

Note 2:The amount of investment income (loss) recognized for the year ended December 31 2021 is based on:
(1) The financial statements were reviewed by R.O.C parent company's CPA.
(2) The financial statements were reviewed by other auditors in PricewaterhouseCoopers, Taiwan.
(3) Others - the self-prepared financial statements that were not reviewed by auditors.

Note 3: Related amounts in the following table are expressed in NT\$.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31 2021	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 2,873,872	\$ 5,801,412	\$ 56,679,579

Ho Tai Motor Co., Ltd.
Major shareholders information
Year ended December 31, 2021

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	48,267,625	8.83%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	40,569,353	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%

HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

Items	Description	Amount
Petty cash		\$ 330
Checking accounts		56,392
Demand deposits		
-NTD		1,658,575
-USD	USD 440 thousand, conversion rate 27.68	12,180
-JPY	JPY 66,654 thousand, conversion rate 0.2405	16,030
Time deposits		1,300,000
Cash equivalents-short-term notes and bills		6,085,071
		<u>\$ 9,128,578</u>

HO TAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

Items	Amount		Footnote
	Cost	Net realizable value	
Vehicles	\$ 2,771,361	\$ 2,771,361	
Parts	680,241	590,440	
Inventory in transit	1,029,087	1,029,087	
	4,480,689	<u>\$ 4,390,888</u>	
Less: Allowance for inventory obsolescence	(89,801)		
	<u>\$ 4,390,888</u>		

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

Investee	Balance at January 1, 2021		Additions		Deductions		Balance at December 31, 2021		Net equity value		Collateral pledged	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Ownership (%)	Amount	Unit price (In dollars)		Total amount
Hozan Investment Co., Ltd.	-	\$ 21,586,019	-	\$ 3,434,822	-	(\$ 1,423,976)	-	100.00%	\$ 23,596,865	\$ -	\$ 23,607,682	None
Kuozui Motors, Ltd.	103,800,000	4,590,681	-	1,077,103	-	(425,763)	103,800,000	30.00%	5,242,021	51	5,255,928	"
Chang Yuan Motor Co., Ltd.	313,500,000	4,311,113	-	591,935	-	(408,851)	313,500,000	100.00%	4,494,197	15	4,599,294	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	108,897,360	7,952,833	-	1,349,566	-	(45,734)	108,897,360	100.00%	9,256,665	85	9,255,842	"
Central Motor Co., Ltd.	15,000,000	2,609,115	-	151,688	-	(111,592)	15,000,000	20.00%	2,649,211	121	1,810,134	"
Ho Tai Development Co., Ltd.	24,710,856	2,933,561	-	614,229	-	(136,183)	24,710,856	45.01%	3,411,607	139	3,446,247	"
Tau Miau Motor Co., Ltd.	15,153,573	1,608,001	-	141,167	-	(75,863)	15,153,573	20.00%	1,673,305	82	1,249,762	"
Kau Du Automobile Co., Ltd.	22,161,150	1,392,909	-	71,639	-	(56,072)	22,161,150	20.00%	1,408,476	42	934,510	"
Carmax Co., Ltd.	22,950,000	1,379,937	-	543,299	-	(350,222)	22,950,000	51.00%	1,573,014	68	1,560,036	"
Taipei Toyota Motor Co., Ltd.	25,438,987	1,157,149	-	156,234	-	(116,072)	25,438,987	34.81%	1,197,311	56	1,423,015	"
Kuotu Motor Co., Ltd.	17,553,761	1,238,822	-	130,361	-	(53,508)	17,553,761	20.18%	1,315,675	76	1,327,353	"
Nan Du Motor Co., Ltd.	14,806,073	1,086,633	-	142,823	-	(99,206)	14,806,073	23.67%	1,130,250	77	1,139,126	"
Toyota Material Handling Taiwan Ltd.	70,597,690	981,292	-	160,378	-	(111,043)	70,597,690	100.00%	1,030,627	15	1,030,626	"
Eastern Motor Co., Ltd.	35,401,756	423,010	-	24,476	-	-	35,401,756	100.00%	447,486	13	454,621	"
Lang Yang Toyota Motor Co., Ltd.	2,000,000	301,130	-	14,254	-	(14,200)	2,000,000	20.00%	301,184	87	173,018	"
Formosa Flexible Packaging Corp.	1,295,108	378,824	-	20,201	-	(4,347)	1,295,108	44.44%	394,678	316	409,502	"
Shi-Ho Screw Industrial Co., Ltd.	211,433	125,983	-	6,956	-	(6,526)	211,433	21.14%	126,413	580	122,633	"
Yokohama Tire Taiwan Co., Ltd.	3,000	112,940	-	31,093	-	(30,000)	3,000	25.00%	114,033	39,251	117,753	"
AIM Technology Corp.	1,650,000	16,582	-	963	(74)	-	1,650,000	15.00%	17,471	11	17,471	"
Hotai Connected Co., Ltd.	83,000,000	551,522	30,000,000	300,000	(128,648)	-	113,000,000	100.00%	722,874	6	722,874	"
Smart Design Technology Co., Ltd.	960,961	28,220	-	12,506	-	(5,766)	960,961	20.00%	34,960	36	34,822	"
Hotai AutoBody Manufacturing Co.,Ltd	-	-	50,000,000	500,556	-	-	50,000,000	50.00%	500,556	10	500,343	"
		\$ 54,766,276		\$ 9,476,249		(\$ 3,603,646)			\$ 60,638,879			

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

Items	Balance as of January 1, 2021	Additions	Deductions	Reclassifications	Balance as of December 31, 2021	Guaranteed or Pledged as collateral
Land						
Cost	\$ 2,143,310	\$ -	\$ -	\$ 182,842	\$ 1,960,468	None
Less: Accumulated impairment	(26,850)	-	-	-	(26,850)	"
Subtotal	2,116,460				1,933,618	"
Revaluation gain	931,497	-	-	-	931,497	"
Buildings and structures						
Cost	1,269,516	7,135	-	9,377	1,286,028	"
Revaluation gain	96	-	-	-	96	"
Utility equipment	130,946	985	-	1,156	133,087	"
Office equipment	560,999	25,051	(13,311)	5,380	578,119	"
Others	15,005	-	(171)	-	14,834	"
Rental assets	78,612	-	-	-	78,612	"
Construction in progress	5,474	5,553	-	(6,536)	4,491	"
	\$ 5,108,605	\$ 38,724	\$ (13,482)	\$ 173,465	\$ 4,960,382	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5	Items	Balance as of January 1, 2021	Additions	Deductions	Reclassifications	Balance as of December 31, 2021	Footnote
	Buildings and structures	\$ 783,617	\$ 36,246	\$ -	\$ 5,745	\$ 825,608	
	Utility equipment	128,671	546	-	-	129,217	
	Office equipment	455,466	27,385	(7,435)	-	475,416	
	Others	7,067	1,950	(171)	-	8,846	
	Rental assets	78,382	45	-	-	78,427	
		<u>\$ 1,453,203</u>	<u>\$ 66,172</u>	<u>(\$ 7,606)</u>	<u>\$ 5,745</u>	<u>\$ 1,517,514</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

Items	Balance as of January 1, 2021	Additions	Deductions	Reclassifications	Balance as of December 31, 2021	Guaranteed or Pledged as collateral
Land						
Cost	\$ 755,900	- \$	-	\$ 182,842	\$ 938,742	None
Revaluation gain	742,263	-	-	-	742,263	"
Buildings and structures						
Cost	1,487,926	235	-	(9,377)	1,478,784	"
Revaluation gain	11,983	-	-	-	11,983	"
	<u>\$ 2,998,072</u>	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ 173,465</u>	<u>\$ 3,171,772</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

<u>Items</u>	<u>Balance as of January 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassifications</u>	<u>Balance as of December 31, 2021</u>	<u>Footnote</u>
Buildings and structures	<u>\$ 546,844</u>	<u>\$ 32,073</u>	<u>\$ -</u>	<u>(\$ 5,745)</u>	<u>\$ 573,172</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF SHORT-TERM LOANS
December 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

Type	Description	Balance as of December 31, 2021	Contract period	Range of interest rate (%)	Loans Commitments	Pledges or collaterals
Unsecured borrowings	Mizuho Bank Ltd. (foreign currency)	\$ 1,068,963	2021/12/15~2022/1/17	0.68%	\$ 6,000,000	None
	MUFG Bank, Ltd., Taipei Branch (foreign currency)	1,660,800	2021/12/15~2022/1/14	0.66%	1,660,800	"
	Sumitomo Mitsui Banking Corporation Taipei Branch (foreign currency)	415,200	2021/12/15~2022/1/10	0.65%	525,920	"
		<u>\$ 3,144,963</u>				

Note: Interest rate between 0.65%~0.68%.

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

Items	Quantity	Amount	Footnote
Revenue from contracts with customers:			
Sales revenue of vehicles			
Sedan	134,294 cars	\$ 124,076,367	
Others	1,280 cars	1,831,188	
Sales revenue of parts		12,729,686	
Others		<u>1,688,885</u>	
Subtotal		140,326,126	
Sales returns and allowance		(<u>1,453,886</u>)	
		<u>\$ 138,872,240</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

Items	Description	Amount	Footnote
Initial inventories		\$ 6,974,835	
Add: Merchandise purchase		122,780,328	
Others		864,385	
Less: Ending inventories		(4,480,689)	
Reclassified to fixed assets and expenses		(16,857)	
Loss on physical inventory observation		(16)	
Others		(5,473)	
Operating costs		<u>\$ 126,116,513</u>	

(Remainder of page intentionally left blank)

HO TAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2021
 (Expressed in thousands of New Taiwan dollars)

STATEMENT 11

Items	Description	Amount	Footnote
Wages and salaries		\$ 627,534	Including pension costs
Advertisement expense		649,309	
Freight		298,718	
Miscellaneous		543,644	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 2,119,205</u>	

HO TAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

Items	Description	Amount	Footnote
Wages and salaries		\$ 1,030,324	Including pension costs
Directors' remuneration		402,588	
Advertisement expense		261,292	
Others		354,437	The amount of each item in others does not exceed 5% of the account balance.
		<u>\$ 2,048,641</u>	

HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2021 AND 2020
 (Expressed in thousands of New Taiwan dollars)

STATEMENT 13

By function		Years ended December 31,					
		2021			2020		
By nature		Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense							
Wages and salaries		\$ -	\$ 1,629,449	\$ 1,629,449	\$ -	\$ 1,594,959	\$ 1,594,959
Labour and health insurance fees		-	73,153	73,153	-	65,768	65,768
Pension costs		-	28,409	28,409	-	28,401	28,401
Directors' remuneration		-	402,588	402,588	-	350,874	350,874
Other employee benefit expenses		-	104,149	104,149	-	106,999	106,999
Subtotal		-	2,237,748	2,237,748	-	2,147,001	2,147,001
Depreciation		-	104,054	104,054	-	96,972	96,972
Amortization		-	-	-	-	-	-

Note:

A. As at December 31, 2021 and 2020, the Company had 575 and 565 employees, including 12 and 12 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 \$3,260 ((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 \$3,248 ((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 \$2,894 (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 \$2,884 (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 0.35% ((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, 2021 AND 2020
(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.

VI. Financial Overview

- 6.6 If the Company or any of its affiliates has experienced financial or cash flow difficulties within the latest fiscal year or as of the date of this Annual Report, describe the financial impact of such events on the Company: N/A

柒、財務狀況及財務績效之檢討分析與風險事項 Review of Financial Conditions, Operating Results and Risk Management



VII. Financial Status, Operating Results and Risk Management

7.1 Financial Condition

Unit: in thousand NT\$

Item \ Year	2021	2020	Change	
			+(-) Amount	%
Current Assets	249,589,847	200,795,705	48,794,142	24
Non-current assets	100,022,937	89,694,827	10,328,110	12
Total Assets	349,612,784	290,490,532	59,122,252	20
Current Liabilities	228,560,880	184,960,142	43,600,738	24
Non-current liabilities	26,585,939	21,645,048	4,940,891	23
Total Liabilities	255,146,819	206,605,190	48,541,629	23
Share Capital	5,461,792	5,461,792	-	-
Capital Surplus	2,807,477	2,818,336	(10,859)	-
Retained Earnings	62,252,639	55,264,500	6,988,139	13
Other Equity Interest	3,248,943	1,933,076	1,315,867	68
Non-controlling Interest	20,695,114	18,407,638	2,287,476	12
Total Equity	94,465,965	83,885,342	10,580,623	13
Analysis of percentage changes: <ul style="list-style-type: none"> Current assets: Higher figures of current assets were primarily due to increased notes receivables and accounts receivables in 2021. Other equity interest: Higher figures of other equity interest were mainly attributable to the increase of unrealized gains on financial assets at fair value through other comprehensive income in 2021. 				

VII. Financial Status, Operating Results and Risk Management

7.2 Financial Performance

7.2.1 Analysis of Financial Performance

Unit: in thousand NT\$

Item \ Year	2021	2020	Change	
			+(-) Amount	%
Total income	246,917,024	231,813,269	15,103,755	7
Total expenses	221,946,365	210,688,384	11,257,981	5
Profit before income tax	24,970,659	21,124,885	3,845,774	18
Income tax expense	(5,412,569)	(4,589,675)	(822,894)	18
Profit for the year	19,558,090	16,535,210	3,022,880	18
Other Comprehensive Income (Loss), Net of Tax	1,334,038	725,303	608,735	84
Comprehensive Income	20,892,128	17,260,513	3,631,615	21
Profit Attributable to Owners of Parent	16,210,758	13,848,870	2,361,888	17
Profit Attributable to Non-controlling Interest	3,347,332	2,686,340	660,992	25
Comprehensive Income Attributable to Owners of Parent	17,589,052	14,536,175	3,052,877	21
Comprehensive Income Attributable to Non-controlling Interest	3,303,076	2,724,338	578,738	21

1. Analysis of percentage changes:

Other comprehensive income (loss), net of tax, declined primarily due to higher unrealized gains on financial asset at fair value through other comprehensive income in 2021.

2. The Company's core business has not changed.

3. For more information regarding forecasted sales in the coming year and assumptions, as well as factors that may affect the Company's projections of continued growth or decline in sales, refer to "2022 Business Outlook" on page 3 of this Annual Report.

Note: On January 17, 2017, we acquired 99.80% of the equities in Zurich Insurance (Taiwan) Ltd. (which was renamed as Hotai Insurance Co., Ltd.). Since Hotai Insurance Co., Ltd. is considered a consolidated business from a different industry, the 2020 and 2021 comprehensive income statements are issued in a single-step format. Therefore, there are no figures available on gross profit, operating profit (loss), and non-operating income and expenses.

7.2.2 Analysis of Changes in Gross Profit: N/A

VII. Financial Status, Operating Results and Risk Management

7.3 Cash Flows

7.3.1 Liquidity Analysis

	December 31, 2021	December 31, 2020	+(-)%
Cash Flow Ratio	-	7.40%	(7.40%)
Cash Flow Adequacy Ratio	43.46%	58.49%	(15.03%)
Cash Reinvestment Ratio	-	5.32%	(5.32%)
Analysis of ratio changes: <ul style="list-style-type: none"> The change in cash flow ratio was primarily attributable to net cash outflow from operating activities. The decreased cash flow adequacy ratio was primarily attributable to higher net cash from operating activities. The change in cash reinvestment ratio was primarily due to net cash outflow from operating activities. 			

7.3.2 Projection of FY2022 Cash Flows and Liquidity Analysis

Unit: in thousand NT\$

Cash and Cash Equivalents at Beginning of Year (1)	Projected Net Cash from Operating Activities (2)	Projected Net Cash from Investing and Financing Activities (3)	Projected Surplus (Deficit) of Cash and Cash Equivalents at End of Year (1)+(2)-(3)	Measures for Managing Cash Deficit	
				Investment Plans	Financing Plans
25,813,580	4,251,522	(6,897,700)	23,167,402	—	—
1. Analysis of projected cash flows: <ul style="list-style-type: none"> The Company expects steady business growth in 2022 where its operating activities will generate net cash flow. The net cash flow is expected to be offset by investing and financing activities, primarily due to payment of cash dividends, equipment purchases, and construction of new facilities. 2. Measures for managing potential cash deficit and liquidity analysis: N/A					

VII. Financial Status, Operating Results and Risk Management

7.4 Major Capital Expenditures and Impact on Financial Condition

7.4.1 Major Capital Expenditures and Capital Resources

Project	Time		Capital Resources	Target	Amount (in NT\$ unless otherwise specified)
Purchasing of the Shares of Dealers	2013	October	Owned Funds	20% of Tau Miao Motor Co., Ltd. shares	1,333,514,000
				20% of Lang Yang Toyota Motor Co., Ltd. shares	256,000,000
				20% of Kau Du Automobile Co., Ltd. shares	1,236,592,000
	2014	June	Owned Funds	20% of Central Motor Co., Ltd. shares	2,100,000,000
		December		As of December 31, 2014, the Company has acquired 20.05% of the total number of issued shares through the proposal that Kuotu Motor Co., Ltd. increases capital by cash.	889,502,000
Expansion of Business	2017	January	Owned Funds	99.80% of the equities in Hotai Insurance Co., Ltd. (formerly known as Zurich Insurance (Taiwan) Ltd.)	6,831,887,000
Expansion of Business	2017	January	Owned Funds	100% equities in Shanghai Yangpu Heling Lexus Motor Sales & Services Co., Ltd. (formerly known as Shanghai Yingzhijie Auto Sales & Services Co., Ltd.)	RMB 55,000,000
Purchasing of the Shares of TMC	2018	September	Owned Funds	0.1% equities in Toyota Motor Corporation (TMC)	6,083,183,000
Expansion of Business	2019	July	Owned Funds	100% equities in Shanghai Hochen Technology Co., Ltd.	RMB 70,312,000
Expansion of Business	2019	July	Owned Funds	100% equities in Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	RMB 72,097,000
Expansion of Business	2020	April	Owned Funds	Hotai Mobility Service Co., Ltd.	180,000,000
Expansion of Business	2020	November	Owned Funds	Shanghai Zhongxin Traffic Facility Engineering Co., Ltd.	RMB 112,500,000

VII. Financial Status, Operating Results and Risk Management

Expansion of Business	2020	December	Owned Funds	Shanghai Fengyi Construction Decoration Limited Company	RMB 147,000,000
Expansion of Business	2021	April	Owned Funds	Hotai Coachwork Manufacturing Co., Ltd.	500,000,000
Expansion of Business	2021	December	Owned Funds	Shanghai Hekang Equipment Leasing Co., Ltd.	RMB 170,000,000

VII. Financial Status, Operating Results and Risk Management

Unit: in thousand NT\$

	Profit Attributable to Owners of the Parent					Cash Dividends Hotai Receives				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Tau Miao Motor Co., Ltd	45,240	47,918	104,826	162,419	144,128	51,522	4,546	15,154	60,614	75,768
Lang Yang Toyota Motor Co., Ltd	7,298	7,903	15,077	17,064	15,038	7,400	4,800	5,800	10,500	14,200
Kau Du Automobile Co., Ltd	40,786	28,821	60,482	72,580	76,089	48,755	26,593	22,161	44,322	55,403
Central Motor Co., Ltd	62,833	71,236	147,888	168,598	154,737	45,000	30,000	30,000	67,500	90,000
Kuotu Motor Co., Ltd	56,402	78,656	119,804	146,243	132,428	17,554	7,022	8,777	35,108	52,661
Shanghai Yangpu Heling Lexus Motor Sales & Services Co., Ltd	34,370	93,413	80,429	104,556	154,044	-	-	-	-	-
Hotai Insurance Co., Ltd.	1,587	138,907	282,970	483,404	949,682	-	-	-	-	-
Toyota Motor Corporation	-	86,801	199,259	200,890	206,326	-	86,801	199,259	200,890	206,326
Shanghai Hochen Technology Co., Ltd.	-	-	-	(4,472)	(7,965)	-	-	-	-	-
Shanghai Jiading Heling	-	-	-	(8,827)	(997)	-	-	-	-	-

VII. Financial Status, Operating Results and Risk Management

Lexus Motor Service Co., Ltd.										
Hotai Mobility Service Co., Ltd.	-	-	-	(6,820)	(35,926)	-	-	-	-	-
Shanghai Zhongxin Traffic Facility Engineering Co., Ltd.	-	-	-	(2,964)	(4,858)	-	-	-	-	-
Shanghai Fengyi Construction Decoration Limited Company	-	-	-	-	680	-	-	-	-	-
Hotai Coachwork Manufacturing Co., Ltd.	-	-	-	-	592	-	-	-	-	-
Shanghai Hekang Equipment Leasing Co., Ltd.	-	-	-	-	-	-	-	-	-	-
Total	248,516	553,655	1,010,735	1,332,671	1,783,998	170,231	159,762	281,151	418,934	494,358

VII. Financial Status, Operating Results and Risk Management

7.4.2 Expected Benefits

By investing in Toyota Motor Corporation and car dealers, strategic partnerships are formed to enhance the business development of both parties. Furthermore, profits from our investments in the affiliates will increase overall income of the Group.

7.5 Investment Policy of the Latest Fiscal Year, Reasons for Gains or Losses, Improvements and Investment Plan for the Coming Year

7.5.1 Investment Policy

The investments we have made are primarily in the automotive industry. The Company focuses on developing distribution channels for convertibles, commercial and industrial vehicles while building up its portfolio by investing in automotive related businesses, including CPO cars, auto accessories, installment sales, rental and leasing, auto insurance, and Toyota dealerships in China. Going forward, we will continue to combine existing group resources in expanding the Company's already diversified portfolio and move towards investments in Mobility-as-a-Service (MaaS) and sharing economy.

7.5.2 Profitability

Gains from our investments in affiliates and joint ventures recognized using the equity method was NT\$2.007 billion in the 2021 consolidated financial statements, while gains from our investments in subsidiaries, affiliates and joint ventures recognized using the equity method was NT\$8.286 billion in the 2021 individual financial statements. These investments accounted for 10.26% and 51.12% of the total net income in the respective financial statements. The gains were mainly attributed to investments in Hotai Finance Co., Ltd. ("Hotai Finance"), Kuozui Motors Ltd. ("Kuozui Motors"), Hotai Insurance Co., Ltd. ("Hotai Insurance"), our dealers, and other affiliated business including Toyota dealerships in China.

7.5.3 2022 Investment Plans

In January 2022, the Company and its subsidiaries Hotai Finance and Hoyu Investment Co., Ltd. invested NT\$180 million, NT\$800 million and NT\$20 million respectively in establishing He Jun Energy Co., Ltd., in which the Company holds 18% of the shares.

VII. Financial Status, Operating Results and Risk Management

7.6 Risk Factors Detailing Analysis and Evaluations in the Following Areas Within the Latest Fiscal Year and as of the Date of this Annual Report

7.6.1 Impact of Interest Rate and Foreign Exchange Fluctuations and Inflation on the Gains or Losses of the Company, and Measures for Managing the Risks

Risk management is carried out by the financial division of each group company in accordance with policies approved by the Board of Directors of the Company. The Group's financial divisions, which work closely with the Group's operational divisions, are responsible for identifying, evaluating, and hedging against financial risks. The Board of Directors has established written guidelines for risk management and provided written policies in selected areas of market risks.

(1) Interest Rate Risk

- (a) The interest rate risk is mainly attributable to certain floating interest rate loans taken out by the Company's subsidiary, Hotai Finance, which exposes the Group to cash flow interest rate risk.
- (b) Cross currency swap transactions by the Company's subsidiary, Hotai Finance, use present value of a basis point (PVBp) to evaluate market risks. Since the notional amount is equal to the amount of the hedged liabilities, and the duration, reset date, interest and principal payment schedule, and interest rate benchmark are all identical, they should offset market risk exposures. Therefore, the investments are not expected to result in major market risk.
- (c) Debt-based financial instruments issued by the Company's subsidiary, Hotai Finance, are fixed-rate debts/liabilities, which are not subject to interest rate fluctuations in the market.
- (d) As our subsidiary Hotai Insurance mainly invests in bonds with fixed interest rates, the fair market value of the bonds invested will be impacted by the fluctuations of interest rate in the market. If the market interest rate rises, the fair market value of the bonds will decline. However, the investment objectives of Hotai Insurance are long-term robust performance and predictable profitability, which makes it less susceptible to short-term interest rate fluctuations in the market. Therefore, the investments are not expected to result in major interest rate risk.

(2) Foreign Exchange Risk

- (a) Hotai Group has operations worldwide and is therefore exposed to changes in foreign currency rates, primarily in U.S. dollars and Renminbi. The foreign exchange risk mainly arises from future business transactions, net assets and liabilities, and net investment in foreign affiliates.
- (b) The management of Hotai Group has established a policy that requires each group company to manage foreign exchange transaction risk arising from functional currency. Through its own financial division, each group company is to hedge its foreign currency exposure. Currently, all the group companies use foreign currency

VII. Financial Status, Operating Results and Risk Management

contracts to manage risks arising from future business transactions and net assets and liabilities, except for Hotai Insurance, which fully authorizes investors to hedge foreign exchange investment exposures by using swap agreements. A group company is exposed to foreign exchange transaction risk and translation risk when the future transaction or net assets and liabilities are denominated in non-functional currency of such group company.

- (c) The business conducted by Hotai Group involves several non-functional currencies (the functional currency of the Company and certain subsidiaries is New Taiwan dollars, and Renminbi for other subsidiaries), and is, therefore, exposed to changes in foreign currency rates. For more information regarding foreign currency denominated assets and liabilities that are exposed to major foreign exchange risks, refer to the 2021 Consolidated Financial Statements and Reports of the Independent Registered Public Accounting Firm.

(3) Inflation Risk

The operations of the Company have not been materially impacted by exposure to inflation within the latest fiscal year and as of the date of this Annual Report.

7.6.2 Policies for High-risk Leveraged Investments, Fund Lending to Third Parties, Endorsement and Guarantee of Obligations, Transactions in Financial Derivatives, Reasons for Gains or Losses, and Measures for Managing the Risks

(1) High-risk Leveraged Investment

Hotai Group has not made any high-risk leveraged investments.

(2) Fund Lending, Endorsement and Guarantee of Obligations

The management of Hotai Group has established a policy that requires each group company to adopt its own Procedures for Fund Lending and Procedures for Providing Endorsement and Guarantee of Obligations for internal control purposes. All fund lending and endorsement and guarantee of obligations that occurred in 2021 were borrowings between subsidiaries in the ordinary course of business and guarantees provided for bank financing. No losses were attributed to fund lending or endorsement and guarantee of obligations in 2021.

(3) Transaction in Financial Derivatives

The management of Hotai Group has established a policy that requires each group company to follow the Procedures for Financial Derivative Transactions when entering into transactions in financial derivatives. Some of the derivative financial instruments used by the Company for hedging in 2021 include foreign currency forward contracts in U.S. dollar terms and cross currency swaps.

7.6.3 Future R&D Programs and Projected R&D Expenses

As an auto distributor, we dedicate our business exclusively to vehicle sales and marketing, therefore, we have no future R&D programs or projected R&D expenses. Toyota Motor Corporation and Kuozui Motors are responsible for the manufacturing and research and

VII. Financial Status, Operating Results and Risk Management

development of our products.

7.6.4 Risks Associated with Government Policy and Regulatory Changes and Impact on Financial Condition and Operations

Hotai Group complies with regulatory updates (e.g., corporate governance rules, the amended *Company Act*, and other applicable laws and regulations) prescribed by the authorities and revises our internal rules accordingly. As of the date of this Annual Report, no such changes would materially impact the financial condition or operations of the Company.

7.6.5 Impact of Changes in Technology and Industry on the Company's Financial Condition and Operations and Measures for Managing the Risks

With the progression of the digital environment (e.g., phone apps, online cash flow, and 5G) and the evolution of technologies like electric vehicles and self-driving vehicles, the industry as a whole has gradually shifted from vehicle sales to providing mobility service solutions. In response to these developments and TMC's policy updates, the Company established the MaaS Advanced Strategic Management Group, pursuing persistent innovation in our sales operations to thrive in an ever-changing industry environment.

7.6.6 Risks Associated with Brand Image and Impact on Crisis Management

As the leading automaker in the industry, Hotai Motor strives to deliver high quality products and innovative services to our customers. It is our commitment to customers and ability to exceed consumer expectations that have allowed us to remain the leading brand in the automotive industry. Over the years, we have also dedicated our efforts in corporate sustainability and bringing positive changes to all corners of Taiwan. By combining resources from within and outside the Group and working with interested parties, we have launched several public welfare campaigns that incorporate "cars, people, and the environment". To this day, we have established and maintained a positive brand image without any negative events affecting our reputation.

7.6.7 Expected Benefits of Mergers and Acquisitions and Risks Associated: N/A

7.6.8 Expected Benefits of Capacity Expansion and Risks Associated: N/A

7.6.9 Risks Associated with Concentration of Sales and Measures for Managing the Risks

- (1) The parent company, Hotai Motor, distributes all series of Toyota and Lexus vehicles manufactured by Toyota Motor Corporation and Hino Motors, Ltd., their parts and accessories, as well as vehicles, parts and accessories manufactured by Kuozui Motors. However, despite the fact that vehicle distribution is a highly concentrated industry, through our established long-term partnerships with manufacturers, we are able to limit exposures to the risks associated with supply concentration.
- (2) According to the dealership contracts signed by the Company and our dealers, the dealers are authorized to sell Toyota and Lexus vehicles, auto parts and accessories in their respective sales territories—that being the characteristic of distribution channels. Therefore, the Company is not subject to risks associated with sales concentration.

VII. Financial Status, Operating Results and Risk Management

7.6.10 Impact of Transfer of Significant Number of Shares by Directors, Supervisors, and/or Major Shareholders Holding 10% or More of the Total Outstanding Shares, Risks Associated: N/A

7.6.11 Impact of Change in Ownership and Risks Associated: N/A

7.6.12 Disclosure of issues in dispute, amount of claims, filing date, parties involved, and status of any litigation or other legal proceedings within the latest fiscal year and as of the date of this Annual Report where the Company and/or any of its directors, supervisors, president, person in charge, shareholders with 10% or more share ownership, subsidiaries or affiliates are involved in pending litigation, legal proceedings, or administrative proceedings, or a judgement or ruling without prejudice which may have a material adverse effect on the Company's shareholder equity or price of securities: N/A

7.6.13 Other Material Risks: N/A

7.7 Other Material Disclosures: N/A

捌、特別記載事項

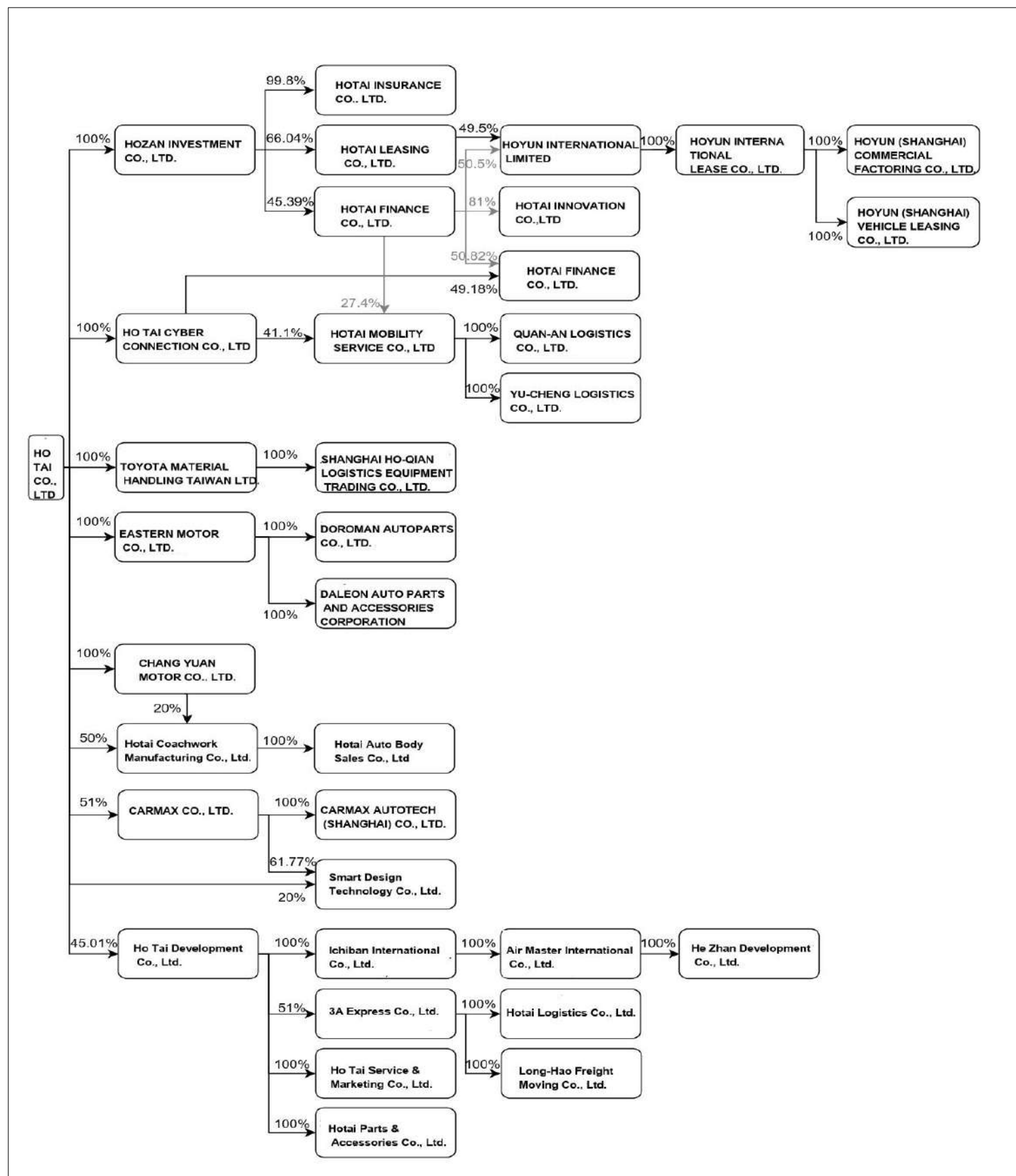
Specific Notes



VIII. Specific Notes

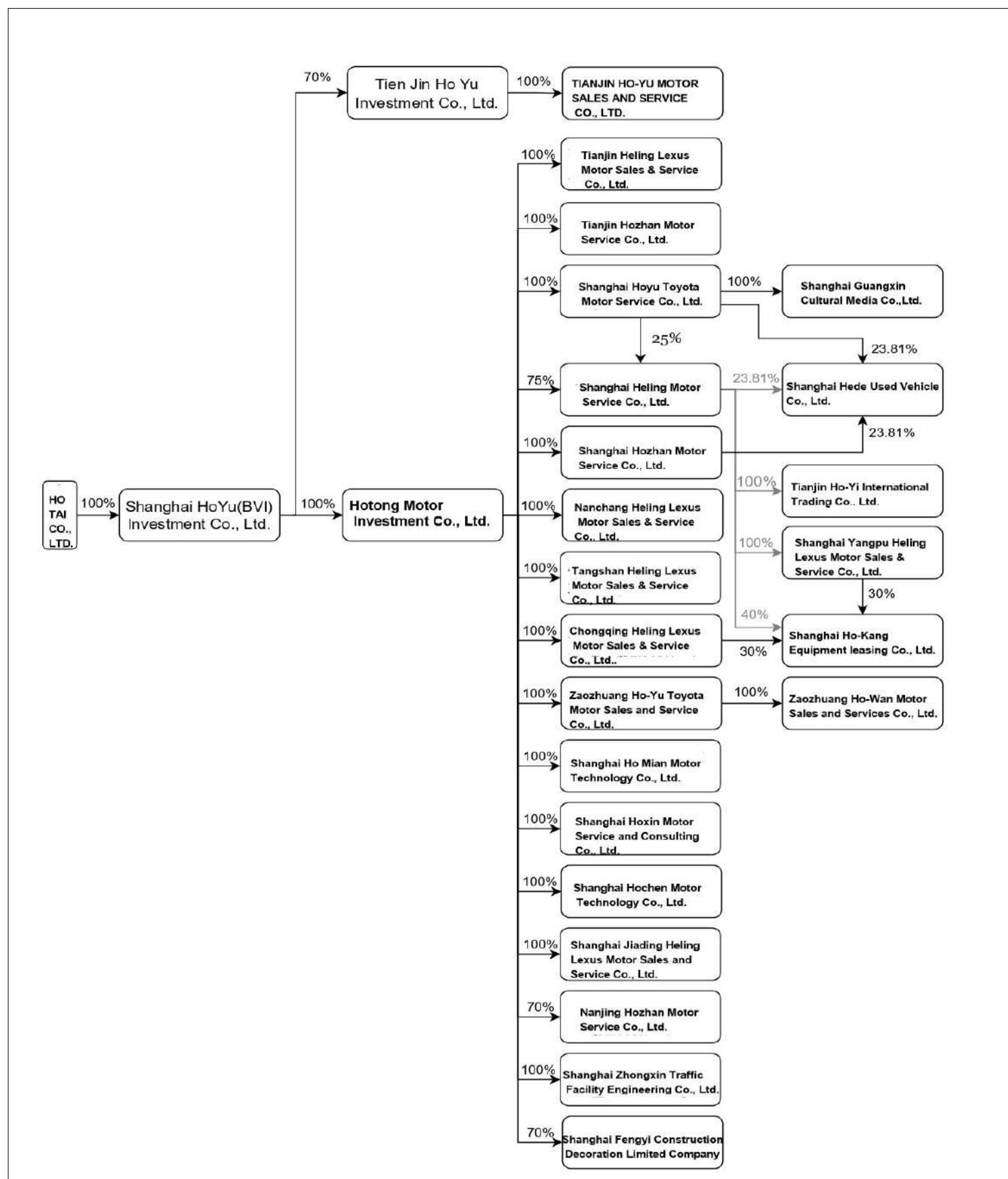
8.1 Overview of Group Companies (As of December 31, 2021)

8.1.1 Hotai Group Structure



VIII. Specific Notes

(Continued)



VIII. Specific Notes

8.1.2 Group Company Profiles

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Chang Yuan Motor Co., Ltd.	September 25, 1998	10F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$3,135,000,000	Sales of vehicles and parts and repairing of vehicles
Hotai Coachwork Manufacturing Co., Ltd.	June 10, 2020	No. 646, Sec. 2, Zhongshan Rd., Xizhou Township, Changhua County, Taiwan	NT\$1,000,000,000	Vehicle assembly and installation
Hotai Auto Body Sales Co., Ltd.	July 12, 2020	No. 646, Sec. 2, Zhongshan Rd., Xizhou Township, Changhua County, Taiwan	NT\$40,000,000	Sales of vehicles
Toyota Material Handling Taiwan Ltd.	September 10, 2002	12F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$705,976,900	Sales and repairing of vehicles for industry use and logistics service
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	May 20, 2008	No. 515, Caonong Rd., Xinqiaozhen, Songjiang Dist., Shanghai, China	US\$6,000,000	Sales of vehicles and parts for industry use
Eastern Motor Co., Ltd.	April 6, 2009	1F, No.500, Sec. 3, Zhongyang Rd., Ji'an Township, Hualien County, Taiwan	NT\$392,681,790	Sales of vehicles and parts and repairing of vehicles
Doroman Autoparts Co., Ltd.	June 18, 2014	1F, No.500, Sec. 3, Zhongyang Rd., Ji'an Township, Hualien County, Taiwan	NT\$1,387,180	Wholesale and retail of vehicles parts and accessories
Daleon Auto Parts and Accessories Corporation	December 4, 2020	1F, No.500, Sec. 3, Zhongyang Rd., Beichang Village, Ji'an Township, Hualien County, Taiwan	NT\$500,000	Wholesale and retail of vehicles parts and accessories
Carmax Co., Ltd.	September 29, 1987	No.1, Jilin Rd., Zhongli Dist., Taoyuan City, Taiwan	NT\$450,000,000	Trading of vehicle products/accessories
Carmax Autotech (Shanghai) Co., Ltd.	January 18, 2011	Building 1, No. 28, Rongshu Rd., Rongbei Town, Songjiang Dist., Shanghai, China	US\$1,330,000	Trading of vehicle products/accessories
Smart Design Technology Co., Ltd.	August 31, 2006	20F-8, No.5, Sec. 3, New Taipei Blvd., Xinzhuang Dist., New Taipei City, Taiwan	NT\$48,048,050	Electronic parts and components manufacturing
Ho Tai Cyber Connection Co., Ltd.	September 29, 2017	12F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$1,130,000,000	E-Commerce Trading Platform Services
Hotai Mobility Service Co., Ltd.	April 17, 2020	12F, No.433, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$438,000,000	Taxi dispatch service
Quan-An Logistics Co., Ltd.	April 22, 1978	12F, No.433, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$34,000,000	Taxi service
Yu-Cheng Logistics Co., Ltd.	June 28, 1974	No. 215, Xincheng 1 st Rd., Wugu Dist., New Taipei City, Taiwan	NT\$70,000,000	Taxi service

VIII. Specific Notes

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Hozan Investment Co., Ltd.	April 22, 1999	9F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$14,949,317,810	General investment
Hotai Finance Co., Ltd.	May 25, 1999	15F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$5,150,004,070	Installment trading and leasing of various vehicles
Hoing Mobility Service Co., Ltd	October 24, 2018	No. 99, Sec. 2, Chang'an E. Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$610,000,000	Leasing of light passenger vehicles and other business
He Jing Co., Ltd	October 26, 2021	11F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$1,000,000,000	Installment trading of vehicles
Hoyun International Limited	January 27, 2006	Wickhams Cay II, Road Town, Tortola, British Virgin Islands	US\$80,000,000	General investment
Hoyun International Lease Co., Ltd.	January 29, 2007	Building D, 9F, No. 427, Nujiang N. Rd., Putuo Dist., Shanghai City, China	US\$80,000,000	Leasing, wholesale, retail of and support service for vehicles
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	August 7, 2014	Room A72, 1F, No. 477, Fute West 1 st Rd., Pilot Free Trade Zone, Shanghai, China	RMB\$50,000,000	Factoring services
Hoyun (Shanghai) Motor Lease Co., Ltd.	February 8, 2021	Room 901, 9F, No. 427, Nujiang N. Rd., Putuo Dist., Shanghai City, China	RMB\$150,000,000	Leasing of vehicles
Hotai Leasing Co., Ltd.	May 24, 1999	15F, No.121, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$1,266,297,870	Leasing of light passenger vehicles
Hotai Insurance Co., Ltd.	April 26, 1961	13F, No.126, Songjiang Rd., Zhongshan Dist., Taipei City, Taiwan	NT\$2,000,000,000	Property and casualty insurance services
Ho Tai Development Co., Ltd.	October 4, 1963	1-7F, No.18, Ln. 36, Xinhua 1 st Rd., Neihu Dist., Taipei City, Taiwan	NT\$549,028,080	Agent for sales of air conditioning system and contracting of air conditioning construction
Ichiban International Co., Ltd.	October 13, 2005	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$3,000,000	General investment
Air Master International Co., Ltd.	November 11, 2005	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$3,000,000	General investment
He Zhan Development Co., Ltd.	March 12, 2007	Room701, No. 300, Xuanhua Rd., Changning Dist., Shanghai, China	US\$3,000,000	Trading of air conditioning equipment
Ho Tai Service & Marketing Co., Ltd.	October 8, 2007	1-4F, No.18, Ln. 36, Xinhua 1 st Rd., Neihu Dist., Taipei City, Taiwan	NT\$271,902,390	Repairing of air conditioning equipment and trading of their parts
Hotai Parts & Accessories Co., Ltd.	January 9, 2020	10F, No. 143, Fuxing N. Rd., Songshan Dist., Taipei City, Taiwan	NT\$50,000,000	Trading of air conditioning equipment

VIII. Specific Notes

Name	Establishment	Address	Paid-in Capital	Main Business Activities
3A Express Co., Ltd.	June 4, 2020	No. 11, Aly. 3, Ln. 342, Fude 1 st Rd., Xizhi Dist., New Taipei City, Taiwan	NT\$100,000,000	Logistics service
Long-Hao Freight Moving Co., Ltd.	February 3, 2005	No. 11, Aly. 3, Ln. 342, Fude 1 st Rd., Xizhi Dist., New Taipei City, Taiwan	NT\$10,000,000	Logistics service
Hotai Logistics Co., Ltd.	April 18, 1978	No. 11, Aly. 3, Ln. 342, Fude 1 st Rd., Xizhi Dist., New Taipei City, Taiwan	NT\$25,000,000	Logistics service
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	April 11, 1995	Wickhams Cay II, Road Town, Tortola, British Virgin Islands	US\$108,897,360	Equity investments Mainland China, trading and repairing of vehicles and their parts
Hotong Motor Investment Co., Ltd.	May 20, 2010	Room 1513 and 1514, No.238, Jiangchang 3 rd Rd., Jingan Dist., Shanghai, China	US\$128,045,000	Operation decision making, capital using and financial management, information services, employee trainings and other services
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	June 9, 2010	Intersection of Saida 3 rd Ave. and Saida 4 th Branch Rd., Xiqing Economic Development Area, Tianjin, China	US\$12,000,000	Sales and repairing of vehicles
Tianjin Hozhan Motor Service Co., Ltd.	November 19, 2010	No. 11, Saida 4 th Branch Rd., Xiqing Economic Development Area, Tianjin, China	RMB\$68,600,000	Sales and repairing of vehicles
Shanghai Hozhan Motor Service Co., Ltd.	March 20, 2007	No. 2058, Lianhua S. Rd., Minhang Dist., Shanghai, China	US\$3,000,000	Sales and repairing of vehicles
Shanghai Hoyu Toyota Motor Service Co., Ltd.	February 13, 1996	No. 999, Huqingping Hwy, Minhang Dist., Shanghai, China	US\$3,370,000	Sales and repairing of vehicles
Shanghai Hede Used Vehicle Co., Ltd.	January 24, 2014	Room A, Level 1F, Building 1, NO. 999, Huqingping Hwy., Minhang Dist., Shanghai, China	RMB\$4,200,000	Trading of used vehicles
Shanghai Guangxin Cultural Media Co., Ltd.	May 19, 2016	Room 507, Building E, 6F, No. 1000, Zhenchen Rd., Baoshan Dist., Shanghai, China	RMB\$1,000,000	Advertisement design and production
Shanghai Heling Motor Service Co., Ltd.	December 30, 2003	No. 1411, Tongpu Rd., Putuo Dist., Shanghai, China	US\$3,500,000	Sales and repairing of vehicles
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	August 23, 2007	Room 108, Building 1, No. 401, Shiguang Rd., Yangpu Dist., Shanghai, China	RMB\$106,900,794	Sales and repairing of vehicles
Tianjin Ho-Yi International Trading Co., Ltd.	April 19, 2018	202-12, Building 4, Hengshen Plaza (North of Helan Road and East of Ouzhou Road), Tianjin Free Trade Zone (Dongjiang Bonded Port), China	RMB\$20,000,000	Automotive related business
Shanghai Ho-Kang Equipment leasing Co., Ltd.	December 2, 2021	Room East 14B-25, No. 290, Tianmu W. Rd, Jing An Dist., Shang Hai, China	RMB\$170,000,000	Leasing service

VIII. Specific Notes

Name	Establishment	Address	Paid-in Capital	Main Business Activities
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	April 17, 2006	No. 8 of No. 88, Jinyu Rd., Chongqing Economic and Technological Development Park, New North Zone, Chongqing, China	US\$6,000,000	Sales and repairing of vehicles
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	August 4, 2008	No. 590, Kaiyue Rd., Kaiping Dist., Tangshan, Hebei, China	US\$5,800,000	Sales and repairing of vehicles
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	November 6, 2008	No. 509, Liantang N Ave., Liantang Town, Nanchang County, Jiangxi, China	US\$6,500,000	Sales and repairing of vehicles
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	July 23, 2008	No. 1, Fuxing Rd., Zhangfan Town, Zaozhuang Hi-Tech Zone, Zaozhuang City, Shangdong, China	US\$13,650,000	Sales and repairing of vehicles
Zaozhuang Ho-Wan Motor Sales and Services Co., Ltd.	July 25, 2017	Room 101, No. 1, Fuxing Rd., Zhangfan Town, Zaozhuang Hi-Tech Zone, Zaozhuang City, Shangdong, China	RMB\$10,000,000	Sales and repairing of vehicles
Shanghai Ho Mian Motor Technology Co., Ltd.	November 1, 2017	Room 401, No. 11, Aly. 276, Luding Rd., Putuo Dist., Shanghai, China	RMB\$230,000,000	Automotive retail/property management
Shanghai Hoxin Motor Service and Consulting Co., Ltd.	July 13, 2018	Room 203, Building 1, No. 401, Shiguang Rd., Yangpu Dist., Shanghai, China	RMB\$3,000,000	Automotive technical consulting, services and education
Shanghai Hochen Motor Technology Co., Ltd.	January 24, 2019	Room 403, Building 11, Aly. 276, Yindin Rd., Putao Dist., Shanghai, China	US\$10,000,000	Automotive retail/property management
Shanghai Jiading Heling Lexus Motor Sales and Service Co., Ltd.	June 20, 2019	Building 3, No. 2018, Yongsheng Rd. Jiading Dist., Shanghai, China	US\$10,500,000	Automotive sales and maintenance services
Nanjing Hozhan Motor Service Co., Ltd.	January 3, 2020	No. 48, Eastern City, Xuanwu Dist., Nanjing, China	RMB\$30,000,000	Automotive sales and maintenance services
Shanghai Fengyi Construction Decoration Limited Company	October 14, 1993	5F, Building 3, No. 985, Zhuanxing E Rd., Minhang Dist., Shanghai, China	RMB\$56,000,000	Property management
Shanghai Zhongxin Traffic Facility Engineering Co., Ltd.	May 20, 2004	North of Huicheng S Rd. and east of Yongsheng Rd., Jiading Dist., Shanghai, China	RMB\$5,000,000	Property management
Tienjin Ho Yu Investment Co., Ltd.	February 5, 2002	Wickhams Cay II, Road Town, Tortola, British Virgin Islands	US\$5,000,000	Equity investments in Mainland China, trading and repairing of vehicles and their parts
Tianjin Ho-Yu Toyota Motor Sales and Service Co., Ltd.	July 31, 2002	No. 299, Weijin S. Rd., Tianjin, China	US\$5,000,000	Sales and repairing of vehicles

- 8.1.3 Any affiliate or subsidiary whose management of personnel, financial or business operations is directly or indirectly controlled by the Company pursuant to Article 369-2, Paragraph 2 of the Company Act: N/A
- 8.1.4 Any company which is considered controlled by, subordinated to, or affiliated with the Company pursuant to Article 369-3 of the Company Act: N/A
- 8.1.5 Industries involved in the Hotai Group companies' business: see "8.1.2 Group Company Profiles"

VIII. Specific Notes

8.1.6 Directors, Supervisors, and President of our Group Companies

As of December 31, 2021

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Chang Yuan Motor Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Ko, Junn-Yuan, Su, Shih-An, Huang, Nan-Kuang, Su, Chwen-Shing, Chang, Tien-Chun, Yeh, Chia-Han, and Lu, Li-Yin	313,500,000	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Ting, Kan and Roger Huang		
	President	Lu, Li-Yin	—	—
Hotai Coachwork Manufacturing Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Ko, Junn-Yuan and Yeh, Chia-Han	50,000,000	50%
		Ho-Hsin Investment Co., Ltd., represented by Chen, Teng-Tseng	30,000,000	30%
	Supervisor	Chang Yuan Motor Co., Ltd., represented by Liu, Sung-Shan	20,000,000	20%
	President	Shih, Kuo-Hua	—	—
Hotai Auto Body Sales Co., Ltd	Director	Hotai Coachwork Manufacturing Co., Ltd., represented by Yeh, Chia-Han	4,000,000	100%
	President	Tsou, Yun-Chuan	—	—
Toyota Material Handling Taiwan Ltd.	Director	Hotai Motor Co., Ltd., represented by Huang, Chih-Cheng, Wu, Chia-Yen, and Huang, Ming-Ren	70,597,690	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Su, Yin		
	President	Huang, Ming-Ren	—	—
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Director	Toyota Material Handling Taiwan Ltd., represented by Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, Roger Huang, Huang, Ming-Ren and Wang, Shih-Hao	US\$6,000,000	100%
	Supervisor	Toyota Material Handling Taiwan Ltd., represented by Su, Shang-Yung		
	President	Tai, Wen-Hsing	—	—
Eastern Motor Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Chwen-Shing, Liu, Chuan-Hung, Lai, Kuang-Hsiung, Liu, Sung-Shan and Huang, Tin-Hwei	39,268,179	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Wu, Pin-Tsung		
	President	Huang, Tin-Hwei	—	—
Doroman Autoparts Co., Ltd.	Director	Eastern Motor Co., Ltd., represented by Huang, Tin-Hwei	138,718	100%
	President	Yang, Chang-Lung	—	—
Daleon Auto Parts and Accessories Corporation	Director	Eastern Motor Co., Ltd., represented by Huang, Tin-Hwei	50,000	100%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
Carmax Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Chwen-Shing, Kazuo Naganuma, and Lai, Hung-Ta	22,950,000	51.00 %
		Toyota Customizing & Development Co., Ltd., represented by Akihisa Yoshida and Kota Funato	15,030,000	33.40 %
	Supervisor	Hoyu Investment Co., Ltd., represented by Huang, Nan-Kuang	7,020,000	15.60 %
	President	Lai, Hung-Ta	—	—
Carmax Autotech (Shanghai) Co., Ltd.	Director	Carmax Co., Ltd., represented by Lai, Hung-Ta, Huang, Chih-Cheng, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Roger Huang	US\$1,330,000	100%
	Supervisor	Carmax Co., Ltd., represented by Ko, Wang-Te		
	President	Hsu, Wen-Chin	—	—
Smart Design Technology Co., Ltd.	Director	Carmax Co., Ltd., represented by Lai, Hung-Ta and Wu, Chia-Yen	2,968,016	61.77 %
		Chen, Yang-Ming	543,495	11.31 %
	Supervisor	Hotai Motor Co., Ltd., represented by Lai, Chih-Wei	960,961	20.00 %
	President	Chen, Yang-Ming	543,495	11.31 %
Ho Tai Cyber Connection Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Su, Chwen-Shing, Huang, Cheng-Yang, Su, Se-I, Liu, Chuan-Hung, and Wu, Pin-Tsung	113,000,000	100%
	Supervisor	Hotai Motor Co., Ltd., represented by Ko, Wen-Sheng		
	President	Wu, Pin-Tsung	-	-
Hotai Mobility Service Co., Ltd.	Director	Ho Tai Cyber Connection Co., Ltd., represented by Chen, Chien-Chou, Liu, Chuan-Hung, and Wu, Pin-Tsung	18,000,000	41.10 %
	Supervisor	Hotai Finance Co., Ltd., represented by Lin, Yen-Liang	12,000,000	27.40 %
	President	Yeh, Chung-Goo	-	-
Quan-An Logistics Co., Ltd.	Director	Hotai Mobility Service Co., Ltd., represented by Yeh, Chung-Goo	3,400,000	100%
Yu-Cheng Logistics Co., Ltd.	Director	Hotai Mobility Service Co., Ltd., represented by Yeh, Chung-Goo	7,000,000	100%
Hozan Investment Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Huang, Nan-Kuang and Su, Chwen-Shing	NT\$14,949,317,810	100%
Hotai Finance Co., Ltd.	Director	Hozan Investment Co., Ltd., represented by Liu, Yuan-Sen, Roger Huang, Su, Chwen-Shing, Leon Soo, Huang, I-Jan	233,782,831	45.39 %
		Toyota Financial Services Corporation, represented by Hori Zenkatsu	118,249,872	22.96 %

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
	Independent Director	Huang, Ming-Yu, Mao, Wei-Lin and Hu, Han-Miao	-	-
	President	Lin, Yen-Liang	130,000	0.03%
Hoing Mobility Service Co., Ltd.	Director	Ho Tai Cyber Connection Co. Ltd., represented by Fred Hsieh, Huang, Nan-Kuang, Su, Chwen-Shing, Leon Soo, Huang, Cheng-Yang, Lin, Yen-Liang, and Hori Zenkatsu	30,000,000	49.18 %
	Supervisor	Hotai Finance Co., Ltd., represented by Kazuo Naganuma and Su, Se-I	31,000,000	50.82 %
	President	Fred Hsieh	-	-
He Jing Co., Ltd	Director	Hotai Finance Co., Ltd., represented by Liu, Yuan-Sen, Lin, Yen-Liang and Liao, Wen-Chung	81,000,000	81%
	Supervisor	Hozao Enterprise Co., Ltd., represented by Leon Soo	19,000,000	19%
	President	Lin, Yen-Liang	-	-
Hoyun International Limited	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$80,000,000	100%
Hoyun International Lease Co., Ltd.	Director	Hoyun International Limited, represented by Lin, Yen-Liang, Su, Chwen-Shing, Huang, I-Jan, Leon Soo, and Hori Zenkatsu	US\$80,000,000	100%
	Supervisor	Hoyun International Limited, represented by Ko, Wang-Te		
	President	Huang, Lai-En	—	—
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Managing Director	Hoyun International Lease Co., Ltd., represented by Lin, Yen-Liang	RMB\$50,000,000	100%
	Supervisor	Hoyun International Lease Co., Ltd., represented by Ko, Wang-Te		
	President	Huang, Lai-En	—	—
Hoyun (Shanghai) Motor Lease Co., Ltd.	Managing Director	Hoyun International Lease Co., Ltd., represented by Lin, Yen-Liang	RMB\$150,000,000	100%
	Supervisor	Hoyun International Lease Co., Ltd., represented by Ko, Wang-Te		
	President	Huang, Lai-En	—	—
Hotai Leasing Co., Ltd.	Director	Hozan Investment Co., Ltd., represented by Liu, Yuan-Sen, Huang, Nan-Kuang, Su, Chwen-Shing, Leon Soo, Huang, Cheng-Yang, and Fred Hsieh	83,629,381	66.04 %
		Toyota Financial Services Corporation, represented by Hori Zenkatsu	42,294,342	33.40 %
	Supervisor	Kazuo Naganuma	—	—
		Su, Se-I	—	—

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
	President	Fred Hsieh	—	—
Hotai Insurance Co., Ltd.	Director	Hozan Investment Co., Ltd., represented by Tsai, Po-Lung, Chuang, Jui-Te, Cho, Chun-Hsiung, Liu, Yuan-Sen, Chen, Chien-Chou, and Tsai, Yen-Hung	19,960,531	99.80 %
	Independent Director	Chien, Sung-Chi, Li, Chang-Chou, and Chen, Ji-Jhen	-	-
	President	Chuang, Jui-Te	-	-
Ho Tai Development Co., Ltd.	Director	Hotai Motor Co., Ltd., represented by Huang, Chih-Cheng, Su, Yin, Ko, Wang-Chung, Lin, Hung-Chih, Su, Shih-Pang, Huang, I-Jan, and Leon Soo	24,710,856	45.01 %
		Hotai Environmental Sustainability Foundation, represented by Su, Yi-Chung	1,000	0.00%
		Yu-Wen Co., Ltd., represented by Chuang, Yu-Jen	100	0.00%
		Daikin Industries, Ltd., represented by Kitawaki Akio	5,490,281	10.00 %
	Supervisor	Hozao Enterprise Co., Ltd., represented by Chang, Tien-Chun	9,382,796	17.09 %
		Jin Yuan Shan Investment Co., Ltd., represented by Ting, Kan	4,857,882	8.85%
	President	Lin, Hung-Chih	—	—
Ichiban International Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Wang, Hsuan-Lang and Chuang, Yu-Jen	US\$3,000,000	100%
Air Master International Co., Ltd.	Director	Ichiban International Co., Ltd., represented by Wang, Hsuan-Lang and Chuang, Yu-Jen	US\$3,000,000	100%
He Zhan Development Co., Ltd.	Director	Air Master International Co., Ltd., represented by Lin, Hung-Chih, Chin Sheng Teck, Liu, Yi-Yuan, Chen, Li-Hung, and Liu, Wen-Bin	US\$3,000,000	100%
	Supervisor	Air Master International Co., Ltd., represented by Chuang, Yu-Jen		
	President	Liu, Kuei-Jung	—	—
Ho Tai Service & Marketing Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Wang, Hsuan-Lang, Su, Yi-Chung, Lin, Hung-Chih, Chang, Yu-Cheng, Chen, Li-Hong, Chin Sheng Teck, and Yu, Chi-Hsing	27,190,239	100%
	Supervisor	Ho Tai Development Co., Ltd., represented by Chuang, Yu-Ren		
	President	Chang, Yu-Cheng	—	—
Hotai Parts & Accessories Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Lin, Hung-Chih	5,000,000	100%
3A Express Co., Ltd.	Director	Ho Tai Development Co., Ltd., represented by Liu, Wen-Bin and Lin, Hung-Chih	5,100,000	51%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
		Fang, Sheng-Wen	1,000,000	10%
	Supervisor	Chuang, Yu-Ren	—	—
Long-Hao Freight Moving Co., Ltd.	Director	3A Express Co., Ltd., represented by Chen, Jui-E	NT\$10,000,000	100%
Hotai Logistics Co., Ltd.	Director	3A Express Co., Ltd., represented by Chen, Jui-E	NT\$25,000,000	100%
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$108,897,360	100%
Hotong Motor Investment Co., Ltd.	Director	Shanghai Ho-Yu (BVI) Investment Co., Ltd., represented by Huang, Nan-Kuang, Leon Soo, Su, Chwen-Shing, Huang, Chih-Cheng, Huang, I-Jan, Ko, Wang-Te, Kazuo Naganuma, and Wang, Shih-Hao	US\$128,045,000	100%
	Supervisor	Shanghai Ho-Yu (BVI) Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Wang, Shih-Hao	—	—
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$12,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Li, Chin-Fu	—	—
Tianjin Hozhan Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	RMB\$68,600,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Wang, Hsieh	—	—
Shanghai Hozhan Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$3,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Yu, Chuan-Li	—	—
Shanghai Hoyu Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$3,370,000	100%
		Shanghai Hua Tsao Real Estate Development Co., Ltd., represented by Lu, Yung-Te	—	—
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shih-Pang	US\$3,370,000	100%
	President	Sun, Chiang	—	—
Shanghai Hede Used Vehicle Co., Ltd.	Director	Shanghai Heling Motor Service Co., Ltd., Shanghai Hoyu Motor Service Co., Ltd., and Shanghai Hozhan Motor Service Co., Ltd., represented by Leon Soo, Huang, I-Jan, Wang, Shih-Hao, Yeh, Chung-Goo and Wu,	RMB\$3,000,000	71%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
		Chin-Nan		
		Shanghai Te Shih Tung Used Vehicle Co., Ltd., represented by Liu, Kuo-Chiang, Wu, Ting, and Lu, Hsueh-Ying	RMB\$1,200,000	29%
	Supervisor	Shanghai Heling Motor Service Co., Ltd., Shanghai Hoyu Motor Service Co., Ltd., and Shanghai Hozhan Motor Service Co., Ltd., represented by Lin, Ying-Wen	RMB\$3,000,000	71%
		Shanghai Te Shih Tung Used Vehicle Co., Ltd., represented by Tsao, Hsien-Chiang	RMB\$1,200,000	29%
	President	Yeh, Chung-Goo	—	—
Shanghai Guangxin Cultural Media Co., Ltd.	Managing Director	Shanghai Hoyu Toyota Motor Service Co., Ltd., represented by Leon Soo	RMB\$1,000,000	100%
	Supervisor	Shanghai Hoyu Toyota Motor Service Co., Ltd., represented by Wang, Shih-Hao		
	President	Leon Soo	—	—
Shanghai Heling Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Roger Huang, and Wang, Shih-Hao	US\$2,625,000	75.00 %
		Shanghai Hoyu Toyota Motor Service Co., Ltd., represented by Chen, Chien-Chou	US\$875,000	25.00 %
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te	US\$2,625,000	75.00 %
	President	Hsieh, Yung-Ta	—	—
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Director	Shanghai Heling Motor Service Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	RMB\$106,900,794	100%
	Supervisor	Shanghai Heling Motor Service Co., Ltd., represented by Su, Shang-Yung		
	President	Wu, Ching-Nan	-	-
Tianjin Ho-Yi International Trading Co., Ltd.	Director	Shanghai Heling Motor Service Co., Ltd., represented by Chen, Chih-Chiang, Leon Soo, Wang, Shih-Hao, Huang, I-Jan, Chueh, Chaung-Ying	RMB\$20,000,000	100%
	Supervisor	Shanghai Heling Motor Service Co., Ltd., represented by Liu, I-Ling		
	President	Hsu, Ching-I	—	—
Shanghai Ho-Kang Equipment leasing Co., Ltd.	Managing Director	Shanghai Heling Motor Service Co., Ltd., Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. and Chongqing Heling Lexus Motor Sales & Service Co., Ltd. represented by Chen, Chih-Chiang	RMB\$170,000,000	100%
	Supervisor	Shanghai Heling Motor Service Co., Ltd., Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. and Chongqing Heling Lexus Motor Sales & Service Co., Ltd. represented by Chueh, Chaung-Ying		
Chongqing Heling Lexus Motor Sales	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang,	US\$6,000,000	100%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
& Service Co., Ltd.		Shih-Hao and Roger Huang		
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te		
	President	Huang, Kuo-Hsin	—	—
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$5,800,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shang-Yung		
	President	Hsu, An-Chi	—	—
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$6,500,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shang-Yung		
	President	Hsu, Yu-Po	—	—
Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$13,650,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Chou, Bin	—	—
Zaozhuang Ho-Wan Motor Sales and Services Co., Ltd.	Director	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd., represented by Hsu, Yu-Po, Leon Soo, Wang, Shih-Hao, Huang, I-Jan, and Chen, Chih-Chiang	RMB\$10,000,000	100%
	Supervisor	Zaozhuang Ho-Yu Toyota Motor Sales and Service Co., Ltd., represented by Liu, I-Ling		
	President	Chou, Bin	-	-
Shanghai Ho Mian Motor Technology Co., Ltd.	Managing Director	Hotong Motor Investment Co., Ltd., represented by Leon Soo	RMB\$230,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao		
	President	Leon Soo	-	-
Shanghai Hoxin Motor Service and Consulting Co., Ltd.	Managing Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chih-Chiang	RMB\$3,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao		
	President	Wu, Chin-Nan	-	-
Shanghai Hochen Motor Technology Co., Ltd.	Managing Director	Hotong Motor Investment Co., Ltd., represented by Leon Soo	US\$10,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao	-	-
Shanghai Jiading Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chih-Chiang, Wang, Shih-Hao and Roger Huang	US\$10,500,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Su, Shi-Pang		
	President	Li, Chiang	-	-
Nanjing Hozhan Motor Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao, Huang, Chi-Cheng and Leon Soo	RMB\$21,000,000	70%
		Fu-Lian Automobile Co., Ltd., represented by Tseng, Chao-Chen	RMB\$9,000,000	30%

VIII. Specific Notes

Company Name	Title	Name/Representative	Share Ownership	
			Number/Value of Shares Held	%
	Supervisor	Hotong Motor Investment Co., Ltd. represented by Huang, I-Jan	RMB\$21,000,000	70%
		Fu-Lian Automobile Co., Ltd. represented by Tsai, Yung-Chi	RMB\$9,000,000	30%
	President	Chu, Wei	-	-
Shanghai Fengyi Construction Decoration Limited Company	Director	Hotong Motor Investment Co., Ltd., represented by Leon Soo, Chen, Chien-Chou, Wang, Shih-Hao and Huang, I-Jan	RMB\$39,200,000	70%
		Ho Yun Investment Co., Ltd. represented by Huang, Chi-Cheng	RMB\$16,800,000	30%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Ko, Wang-Te	RMB\$39,200,000	70%
		Ho Yun Investment Co., Ltd. represented by Roger Huang	RMB\$16,800,000	30%
Shanghai Zhongxin Traffic Facility Engineering Co., Ltd.	Director	Hotong Motor Investment Co., Ltd., represented Leon Soo	RMB\$5,000,000	100%
	Supervisor	Hotong Motor Investment Co., Ltd., represented by Wang, Shih-Hao		
Qingdao Heling Lexus Motor Sales & Service Co., Ltd.	Director	Hotong Motor Investment Co., Ltd. represented by Chen, Chien-Chou, Wang, Shih-Hao, Huang, Chi-Cheng and Leon Soo	No funding has been made yet	70%
		Fu-Lian Automobile Co., Ltd., represented by Tseng, Chao-Chen	No funding has been made yet	30%
	Supervisor	Hotong Motor Investment Co., Ltd. represented by Huang, I-Jan	No funding has been made yet	70%
		Fu-Lian Automobile Co., Ltd. represented by Lien, Wan-Ling	No funding has been made yet	30%
	President	Sun, Chiang	-	-
Tienjin Ho Yu Investment Co., Ltd.	Director	Su, Shih-Pang, Huang, Wen-Jui, and Ko, Wen-Sheng	US\$3,500,000	70 %
Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Director	Tienjin Ho Yu Investment Co., Ltd., represented by Chen, Chien-Chou, Wang, Shih-Hao and Roger Huang	US\$5,000,000	100%
	Supervisor	Tienjin Ho Yu Investment Co., Ltd., represented by Su, Shih-Pang		
	President	Cheng, Lung	—	—

VIII. Specific Notes

8.1.7 Financial Highlights of Group Companies

NT\$ in Thousands								
Company Name	Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenues	Operating Profit (loss)	Net profit or loss for the period	Net Earnings Per Share (NT\$)
HOTAI MOTOR CO., LTD.	5,461,792	94,565,824	20,794,972	73,770,852	138,872,240	8,545,817	16,210,758	29.68
HOZAN INVESTMENT CO., LTD.	14,949,318	23,710,997	103,316	23,607,681	3,180,828	3,179,522	3,181,840	-
SHANGHAI HO-YU (BVI) INVESTMENT CO., LTD.	3,014,279	9,249,060	-	9,249,060	-	-168	1,349,567	-
CHANG YUAN MOTOR CO., LTD.	3,135,000	7,052,991	2,453,698	4,599,293	19,674,782	749,271	609,375	1.94
HO TAI DEVELOPMENT CO., LTD.	549,028	11,093,912	3,436,726	7,657,186	13,522,068	1,453,715	1,364,479	24.85
CARMAX CO., LTD.	450,000	4,520,168	1,461,275	3,058,893	7,310,061	1,159,031	1,064,917	23.66
SMART DESIGN TECHNOLOGY CO., LTD.	48,048	329,717	155,605	174,112	844,136	73,393	62,531	13.01
TOYOTA MATERIAL HANDLING TAIWAN LTD.	705,977	1,361,925	331,299	1,030,626	1,012,846	168,293	160,377	2.27
EASTERN MOTOR CO., LTD.	392,682	1,026,524	571,904	454,620	3,048,677	5,258	27,196	0.69
TIENTJIN HO YU INVESTMENT CO., LTD.	138,400	230,586	-	230,586	-	-	22,260	-
HOTAI FINANCE CO., LTD.	5,150,004	174,863,216	152,107,952	22,755,264	11,785,227	3,544,900	3,141,443	6.10
HOTAI LEASING CO., LTD.	1,266,298	39,028,300	34,217,136	4,811,164	17,935,280	580,447	993,827	7.85
HOYUN INTERNATIONAL LIMITED	2,214,400	4,535,166	-	4,535,166	-	-	788,075	-
ICHIBAN INTERNATIONAL CO., LTD.	83,040	106,874	-	106,874	-	-	244	-
HO TAI SERVICE & MARKETING CO., LTD.	271,902	972,514	195,026	777,488	729,997	93,265	90,520	3.33
DOROMAN AUTOPARTS CO., LTD.	1,387	15,905	5,281	10,624	45,636	6,879	4,542	32.75
AIR MASTER INTERNATIONAL CO., LTD.	83,040	106,860	-	106,860	-	-	252	-
HOTAI INSURANCE CO., LTD.	2,000,000	22,511,781	15,245,579	7,266,202	10,041,572	1,082,782	968,074	4.84
HO TAI CYBER CONNECTION CO., LTD.	1,130,000	929,528	206,654	722,874	650,491	43,107	-83,307	-
HOING MOBILITY SERVICE CO., LTD.	610,000	4,563,690	3,941,994	621,696	2,876,470	-149,227	1,817	0.03
HOTONG MOTOR INVESTMENT CO., LTD.	3,544,286	10,548,765	1,485,991	9,062,774	468,146	-23,012	1,334,153	-
SHANGHAI HOYU MOTOR SERVICE CO., LTD.	93,282	621,488	136,542	484,946	1,222,468	36,285	141,302	-
CHONGING HELING LEXUS MOTOR SALES & SERVICE CO., LTD.	166,080	791,159	277,625	513,534	3,187,902	290,354	205,086	-
SHANGHAI HOZHAN MOTOR SERVICE CO., LTD.	83,040	385,001	206,297	178,704	2,421,984	83,368	48,604	-
TIANJIN HO-YU MOTOR SALES AND SERVICE CO., LTD.	138,400	347,892	117,307	230,585	1,471,701	29,022	22,260	-
ZAOZHUANG HO-WAN MOTOR SALES AND SERVICES CO., LTD.	43,427	48,605	609	47,996	86,174	2,189	2,612	-
SHANGHAI HELING MOTOR SERVICE CO., LTD.	96,880	1,968,441	691,300	1,277,141	4,336,724	425,697	485,701	-
SHANGHAI HO-QIAN LOGISTICS EQUIPMENT TRADING CO., LTD.	166,080	241,740	60,555	181,185	250,470	13,960	12,889	-
ZAOZHUANG HO-YU TOYOTA MOTOR SALES AND SERVICE CO., LTD.	377,832	294,503	35,188	259,315	839,586	25,886	28,642	-
TANGSHAN HELING LEXUS MOTOR SALES & SERVICE CO., LTD.	160,544	635,414	277,785	357,629	1,572,377	151,296	113,048	-
NANCHANG HELING LEXUS MOTOR SALES & SERVICE CO., LTD.	179,920	729,556	274,232	455,324	2,936,404	274,484	206,129	-
HOYUN INTERNATIONAL LEASE CO., LTD.	2,214,400	24,265,010	19,729,845	4,535,165	3,221,230	887,867	788,075	-
HOYUN(SHANGHAI) COMMERCIAL FACTORING CO., LTD.	217,136	490,420	239,411	251,009	59,695	3,779	6,018	-
HOYUN(SHANGHAI) MOTOR LEASE CO., LTD.	651,407	579,852	42,595	537,257	33,039	16,078	11,965	-
HE ZHAN DEVELOPMENT CO., LTD.	83,040	119,166	12,306	106,860	72,732	-358	252	-
TIANJIN HELING LEXUS MOTOR SALES & SERVICE CO.,LTD.	332,160	725,664	212,875	512,789	2,200,432	186,104	145,258	-

VIII. Other Disclosures

Company Name	Capital	Total Assets	Total Liabilities	Net Asset Value	Operating Revenues	Operating Profit (loss)	Net profit or loss for the period	Net Earnings Per Share (NT\$)
TIANJIN HOZHAN MOTOR SERVICE CO., LTD.	297,909	351,167	38,909	312,258	1,292,964	27,115	22,664	-
CARMAX AUTOTECH (SHANGHAI) CO., LTD.	36,814	332,218	26,820	305,398	544,171	60,332	49,126	-
SHANGHAI HEDE USED VEHICLE CO., LTD.	18,239	1,265	2,518	-1,253	-	-5,615	-37,773	-
SHANGHAI GUANGXIN CULTURAL MEDIA CO., LTD.	4,343	12,240	1,619	10,621	60,765	612	743	-
SHANGHAI YANGPU HELING LEXUS MOTOR SALES & SERVICE CO., LTD.	464,238	1,495,708	859,522	636,186	2,984,781	233,325	158,162	-
SHANGHAI HO-MIAN AUTO TECHNOLOGY CO., LTD.	998,821	945,876	-30,780	976,656	38,752	-2,261	-1,905	-
SHANGHAI HOXIN MOTOR SERVICE AND CONSULTING CO., LTD.	13,028	15,133	2,187	12,946	15,746	3,080	3,023	-
TIANJIN HO-YI INTERNATIONAL TRADING CO., LTD.	86,854	167,572	57,709	109,863	588,897	13,567	12,790	-
SHANGHAI HOCHEN AUTO TECHNOLOGY CO., LTD.	276,800	453,091	161,573	291,518	13,095	-4,534	-7,965	-
SHANGHAI JIADING HELING LEXUS MOTOR SERVICE CO., LTD.	290,640	351,454	48,307	303,147	761,490	-146	-997	-
NANJING HOZHAN MOTOR SERVICE CO., LTD.	130,281	261,551	131,670	129,881	818,968	-1,922	-7,331	-
SHANGHAI ZHONGXIN TRAFFIC FACILITY ENGINEERING CO., LTD.	21,714	23,461	3,428	20,033	13,004	8,263	8,274	-
SHANGHAI FENGYI CONSTRUCTION DECORATION LIMITED COMPANY	243,191	277,224	12,671	264,553	30,131	22,039	20,772	-
SHANGHAI HO-KANG EQUIPMENT LEASING CO., LTD.	738,259	738,261	-	738,261	-	-	-	-
HO TAI PARTS & ACCESSORIES CO., LTD.	50,000	125,357	29,593	95,764	403,950	37,101	29,367	5.87
HOTAI MOBILITY SERVICE CO., LTD.	438,000	422,253	50,826	371,427	77,439	-57,384	-57,520	-
QUAN-AN LOGISTICS CO., LTD.	34,000	30,642	329	30,313	204	-262	-328	-
YU-CHENG LOGISTICS CO., LTD.	70,000	71,452	2,320	69,132	2,385	-102	-222	-
3A EXPRESS CO., LTD.	100,000	189,828	7,238	182,590	21,612	6,914	58,263	5.83
Long-Hao Freight Moving Co., Ltd.	10,000	22,727	4,802	17,925	28,724	7,853	6,317	6.32
HOTAI LOGISTICS CO., LTD.	25,000	67,955	19,462	48,493	79,138	28,274	23,403	9.36
DALEON AUTO PARTS AND ACCESSORIES CORPORATION	500	6,024	5,255	769	13,702	335	269	5.38
Hotai Coachwork Manufacturing Co., Ltd.	1,000,000	1,112,211	111,526	1,000,685	79,425	2,132	845	0.01
Hotai Auto Body Sales Co., Ltd	40,000	38,712	1,222	37,490	12	-3,140	-2,510	-
He Jing Co., Ltd	1,000,000	1,009,340	21,140	988,200	473	-11,819	-11,800	-

8.2 Private placement of securities in the last fiscal year and as of the date of this Annual Report: N/A

8.3 Shareholding or disposition of shares of the Company by any subsidiaries in the last fiscal year and as of the date of this Annual Report: N/A

8.4 Other required disclosures:

8.4.1 Any circumstance which has a material effect on shareholder equity or price of the securities stipulated under Article 36, Paragraph 2, Item 2 of the Securities and Exchange Act: N/A

8.4.2 Other required disclosures in the last fiscal year and as of the date of this Annual Report: N/A

8.4.3 Certification

The following is a summary of the certifications received by personnel who are involved in the financial transparency of the Company:

(1) Five people are Certified Public Accountants (CPA) in Taiwan

(2) One person is a Certified Privacy Management Professional (CPMP) that is certified under the Taiwan Personal Information Protection & Administration System

(3) One person is a Certified Privacy Internal Auditor (CPIA) that is certified under the Taiwan Personal Information Protection & Administration System



Hotai Motor Co., Ltd.
和泰汽車股份有限公司



Chairman





和泰汽車股份有限公司
Hotai Motor Co., Ltd.

8-14F, No. 121, Sung Chiang Rd., Taipei, Taiwan, R.O.C.
TEL:(02)2506-2121 / FAX:(02)2504-1749
www.hotaimotor.com.tw