

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021**

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2022 AND 2021
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INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

PWCR22000283

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the "Group") as of March 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) and 6(10), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for using the equity method amounted to NT\$66,929,573 thousand and NT\$55,762,334 thousand, both constituting 18% of the consolidated total assets as at March 31, 2022 and 2021, total liabilities amounted to NT\$16,179,224 thousand and NT\$14,291,423 thousand, both constituting 6% of the consolidated total liabilities as at March 31, 2022 and

2021, and the total comprehensive income amounted to NT\$1,982,302 thousand and NT\$1,803,895 thousand, constituting 33% and 30% of the consolidated total comprehensive income for the three months then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of March 31, 2022 and 2021.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 and 2021, and of its consolidated financial performance and its consolidated cash flows for the three months 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 International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Fang-Yu, Wang
For and on behalf of PricewaterhouseCoopers, Taiwan
May 11, 2022

Patrick, Hsu

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’ review 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
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

Assets	Notes	March 31, 2022		December 31, 2021		March 31, 2021		
		Amount	%	Amount	%	Amount	%	
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 29,862,932	8	\$ 25,813,580	7	\$ 21,575,740	7
1120	Financial assets at fair value through profit or loss-current	6(2)	8,175,699	2	7,759,202	2	7,063,373	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)	615,883	-	322,124	-	46,341	-
1150	Derivative financial assets for hedging-current	6(4)	2,719	-	-	-	-	-
1190	Other financial assets-current	6(1) and 8	2,789,993	1	2,794,794	1	2,538,694	1
1195	Contract assets-current	6(28)	25,457	-	29,094	-	24,468	-
1201	Notes receivable	6(5), 7 and 8	11,191,126	3	10,731,037	3	9,565,745	3
1202	Accounts receivable	6(5), 7 and 8	190,214,981	52	179,803,972	52	151,166,669	49
1203	Other receivables	7	1,614,089	-	1,492,994	1	1,516,355	1
1270	Inventories	6(7)	8,700,712	2	10,014,885	3	9,522,527	3
1280	Prepayments	6(8)	9,205,495	3	8,431,594	2	8,132,978	3
1310	Reinsurance contract assets, net	6(9)	2,638,972	1	2,396,571	1	1,855,096	1
	Total Current Assets		<u>265,038,058</u>	<u>72</u>	<u>249,589,847</u>	<u>72</u>	<u>213,007,986</u>	<u>70</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,035,718	-	1,035,718	-	1,051,390	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	10,715,775	3	10,592,876	3	9,813,801	3
1470	Investments accounted for using the equity method	6(10)	17,834,686	5	17,336,071	5	16,981,841	6
1480	Other financial assets-non-current	6(1)	198,235	-	143,910	-	170,378	-
1500	Property, plant and equipment, net	6(11)	55,721,221	15	53,619,235	15	49,563,201	16
1595	Right-of-use assets, net	6(12)	3,419,491	1	3,436,960	1	3,229,204	1
1600	Investment property, net	6(14)	2,525,888	1	2,531,683	1	2,348,555	1
1700	Intangible assets, net	6(15)	1,282,338	-	1,297,739	-	1,304,156	-
1800	Deferred income tax assets, net	6(33)	2,046,565	1	1,975,833	1	1,822,681	1
1900	Other assets	6(5)(9)(16)	8,477,691	2	8,052,912	2	6,764,163	2
	Total non-current assets		<u>103,257,608</u>	<u>28</u>	<u>100,022,937</u>	<u>28</u>	<u>93,049,370</u>	<u>30</u>
1XXX	Total Assets		<u>\$ 368,295,666</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>	<u>\$ 306,057,356</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2022, DECEMBER 31, 2021 AND MARCH 31, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2022 and 2021 are reviewed, not audited)

	Liabilities and equity	Notes	March 31, 2022		December 31, 2021		March 31, 2021	
			Amount	%	Amount	%	Amount	%
	Current Liabilities							
2110	Short-term loans	6(17)	\$ 70,344,783	19	\$ 66,766,240	19	\$ 49,921,741	16
2120	Short-term notes and bills payable	6(18)	107,191,894	29	104,861,342	30	89,360,359	29
2140	Financial liabilities at fair value through profit or loss-current	6(2)	11,656	-	27,780	-	6,429	-
2150	Derivative financial liabilities for hedging	6(4)	707,700	-	578,276	-	385,735	-
2165	Contract liabilities-current	6(28)	1,418,341	1	1,371,251	-	1,296,918	1
2201	Notes payable		771,484	-	783,316	-	754,127	-
2202	Accounts payable	7	9,437,793	3	8,794,001	3	10,646,011	4
2203	Accrued expenses	6(21) and 7	6,246,176	2	6,957,640	2	5,597,244	2
2204	Other payables	7	12,582,226	4	1,407,173	1	10,562,785	4
2250	Commissions payable	7	526,083	-	545,799	-	420,632	-
2260	Due to reinsurance and ceding companies		824,835	-	586,589	-	685,340	-
2270	Claims payable		32,022	-	41,741	-	34,241	-
2310	Current income tax liabilities		4,804,926	1	3,671,592	1	3,722,260	1
2320	Advance receipts		196,134	-	252,312	-	141,929	-
2330	Long-term liabilities-current portion	6(19)(20)	16,508,364	5	13,579,045	4	11,799,937	4
2335	Current lease liabilities	7	419,278	-	422,689	-	313,852	-
2350	Other current liabilities	6(9)(23)(24)	19,624,158	5	17,732,741	5	16,507,390	5
	Total current liabilities		<u>251,647,853</u>	<u>69</u>	<u>228,379,527</u>	<u>65</u>	<u>202,156,930</u>	<u>66</u>
	Non-current liabilities							
2550	Long-term loans	6(20)	4,632,125	1	4,736,583	1	3,427,566	1
2600	Provisions	6(9)(23)	8,589,887	2	8,221,857	2	7,348,007	3
2620	Guarantee deposits received	6(24)	7,869,040	2	8,284,297	3	7,311,422	2
2625	Non-current lease liabilities	7	1,681,873	1	1,702,444	1	1,533,288	1
2630	Deferred income tax liabilities	6(33)	3,975,295	1	3,822,039	1	3,412,253	1
2660	Other liabilities		65	-	72	-	98	-
	Total non-current liabilities		<u>26,748,285</u>	<u>7</u>	<u>26,767,292</u>	<u>8</u>	<u>23,032,634</u>	<u>8</u>
2XXX	Total liabilities		<u>278,396,138</u>	<u>76</u>	<u>255,146,819</u>	<u>73</u>	<u>225,189,564</u>	<u>74</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(25)						
3110	Common stock		5,461,792	1	5,461,792	1	5,461,792	2
	Capital surplus	6(26)						
3200	Capital surplus		2,926,579	1	2,807,477	1	2,818,336	1
	Retained earnings	6(27)						
3310	Legal reserve		13,925,963	4	13,925,963	4	12,544,333	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		41,314,540	11	47,944,833	14	38,057,124	12
	Other equity							
3400	Other equity		3,852,385	1	3,248,943	1	2,075,099	1
31XX	Total equity attributable to shareholders of the parent		<u>67,863,102</u>	<u>18</u>	<u>73,770,851</u>	<u>21</u>	<u>61,338,527</u>	<u>20</u>
32XX	Non-controlling interest		<u>22,036,426</u>	<u>6</u>	<u>20,695,114</u>	<u>6</u>	<u>19,529,265</u>	<u>6</u>
3XXX	Total equity		<u>89,899,528</u>	<u>24</u>	<u>94,465,965</u>	<u>27</u>	<u>80,867,792</u>	<u>26</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 368,295,666</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>	<u>\$ 306,057,356</u>	<u>100</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended March 31,				
		2022		2021		
		Amount	%	Amount	%	
Revenues						
4010	Interest income	6(3)(29) and 7	\$ 3,679,901	6	\$ 2,856,871	4
4020	Premiums revenue	6(30) and 7	2,225,353	4	2,004,009	3
4040	Reinsurance commission revenue		143,326	-	119,783	-
4050	Fee income		2,665	-	2,636	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	437,487	1	682,157	1
4090	Gain on financial assets and liabilities at fair value through profit or loss	6(2)	130,930	-	637,936	1
4105	Realized gains on financial assets at fair value through other comprehensive income		24,671	-	16,870	-
4160	Net sales revenue	6(28) and 7				
4161	Sales revenue		50,752,563	83	57,189,123	86
4162	Sales returns		(329,754)	-	(226,341)	-
4163	Sales discounts and allowances		(1,109,438)	(2)	(867,446)	(1)
4170	Rental revenue		4,198,346	7	3,675,532	5
4180	Service revenue	6(28) and 7	519,110	1	487,688	1
4210	Gains on disposals of property, plant and equipment		4,358	-	9,552	-
4230	Income from investment property	6(14)	44,217	-	39,988	-
4260	Foreign exchange (losses) gains		(81,136)	-	104,391	-
4270	Other income		256,137	-	183,043	-
4245	Gains (losses) on using overlay approach of investment	6(2)	252,580	-	(62,909)	-
4280	Unrealized profit from sales		(44,801)	-	(71,765)	-
4290	Realized profit from sales		66,381	-	44,478	-
	Total revenues		<u>61,172,896</u>	<u>100</u>	<u>66,825,596</u>	<u>100</u>
Expenses						
5010	Interest expense	7	(566,737)	(1)	(459,933)	(1)
5030	Underwriting expenses		(52)	-	(204)	-
5040	Commission expenses	7	(1,470,280)	(2)	(1,184,706)	(2)
5050	Claims payment	7	(1,106,770)	(2)	(919,344)	(1)
5070	Net changes in other insurance liabilities		(140,504)	-	(298,262)	-
5190	Cost of sales	6(7) and 7	(42,990,379)	(70)	(49,313,308)	(74)
5200	Cost of rental revenue		(3,407,413)	(6)	(2,984,416)	(5)
5210	Cost of services		(432,229)	(1)	(323,481)	(1)
5230	Operating expenses	6(31)(32) and 7				
5231	Selling expenses		(2,410,657)	(4)	(2,097,434)	(3)
5232	General and administrative expenses		(1,551,856)	(2)	(1,545,251)	(2)
5233	Research and development expenses		(28,410)	-	(23,149)	-
5286	Expected credit impairment loss of investment		(27)	-	(11)	-
5287	Expected credit impairment loss of non-investment	12(5)	(421,618)	(1)	(293,186)	-
5270	Expenses and losses from investment property	6(14)	(8,810)	-	(8,535)	-
	Other expenses		(18,389)	-	(45,336)	-
	Total expenses		<u>(54,554,131)</u>	<u>(89)</u>	<u>(59,496,556)</u>	<u>(89)</u>
6100	Income before income tax from continuing operation		<u>6,618,765</u>	<u>11</u>	<u>7,329,040</u>	<u>11</u>
6200	Income tax expense	6(33)	(1,373,540)	(2)	(1,504,838)	(2)
6500	Profit for the period		<u>\$ 5,245,225</u>	<u>9</u>	<u>\$ 5,824,202</u>	<u>9</u>

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended March 31,					
		2022		2021			
		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)		\$ 423,735	1	\$ 132,290	-
6610	Total components of other comprehensive income that may not be reclassified to profit or loss			<u>423,735</u>	<u>1</u>	<u>132,290</u>	<u>-</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss							
6651	Financial statement translation differences of foreign operations			602,788	1	(35,443)	-
6659	Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)		(39,940)	-	(11,982)	-
6661	Gain (loss) on hedging instrument	6(4)		30,321	-	(31,796)	-
6675	Other comprehensive income (loss) reclassified by using overlay approach	6(2)		(252,580)	(1)	62,909	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income			(39,548)	-	1,556	-
6689	Income tax related to components of other comprehensive income	6(33)		(5,788)	-	8,506	-
6600	Total components of other comprehensive income that will be reclassified to profit or loss			<u>295,253</u>	<u>-</u>	<u>(6,250)</u>	<u>-</u>
6600	Other comprehensive income (loss) for the period			<u>\$ 718,988</u>	<u>1</u>	<u>\$ 126,040</u>	<u>-</u>
6700	Total comprehensive income for the period			<u>\$ 5,964,213</u>	<u>10</u>	<u>\$ 5,950,242</u>	<u>9</u>
Profit attributable to:							
6810	Owners of parent			\$ 4,293,291	7	\$ 5,003,846	8
6820	Non-controlling interests			951,934	2	820,356	1
				<u>\$ 5,245,225</u>	<u>9</u>	<u>\$ 5,824,202</u>	<u>9</u>
Comprehensive income attributable to:							
6910	Owners of parent			\$ 4,896,733	8	\$ 5,145,869	8
6920	Non-controlling interests			1,067,480	2	804,373	1
				<u>\$ 5,964,213</u>	<u>10</u>	<u>\$ 5,950,242</u>	<u>9</u>
Earnings per share (in dollars)							
	Basic earnings per share	6(34)			7.86		9.16
	Diluted earnings per share				7.85		9.16

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(Reivewed, not audited)

Equity attributable to shareholders of the parent													
Notes	Share capital- common stock	Capital surplus	Retained earnings			Other equity					Total	Non- controlling interests	Total equity
			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				
For the three months ended March 31, 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	
	-	-	-	-	5,003,846	-	-	-	-	5,003,846	820,356	5,824,202	
	-	-	-	-	-	(30,546)	125,007	61,747	(14,185)	142,023	(15,983)	126,040	
	-	-	-	-	5,003,846	(30,546)	125,007	61,747	(14,185)	5,145,869	804,373	5,950,242	
Appropriation and distribution of retained earnings:													
	-	-	-	-	(9,285,046)	-	-	-	-	(9,285,046)	-	(9,285,046)	
	-	-	-	-	-	-	-	-	-	-	17,254	17,254	
	-	-	-	-	-	-	-	-	-	-	300,000	300,000	
	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 38,057,124	(\$ 526,832)	\$ 2,194,107	\$ 411,632	(\$ 3,808)	\$ 61,338,527	\$ 19,529,265	\$ 80,867,792	
For the three months ended March 31, 2022													
	\$ 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	
	-	-	-	-	4,293,291	-	-	-	-	4,293,291	951,934	5,245,225	
	-	-	-	-	-	461,207	389,168	(256,277)	9,344	603,442	115,546	718,988	
	-	-	-	-	4,293,291	461,207	389,168	(256,277)	9,344	4,896,733	1,067,480	5,964,213	
Appropriation and distribution of retained earnings:													
	-	-	-	-	(10,923,584)	-	-	-	-	(10,923,584)	-	(10,923,584)	
	-	119,102	-	-	-	-	-	-	-	119,102	(120,102)	(1,000)	
	-	-	-	-	-	-	-	-	-	-	393,934	393,934	
	\$ 5,461,792	\$ 2,926,579	\$ 13,925,963	\$ 381,843	\$ 41,314,540	(\$ 94,916)	\$ 3,654,273	\$ 307,504	(\$ 14,476)	\$ 67,863,102	\$ 22,036,426	\$ 89,899,528	

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Three months ended March 31,	
		2022	2021
Cash flows from operating activities			
Consolidated profit before income tax		\$ 6,618,765	\$ 7,329,040
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)	(130,930)	(637,936)
Provision for financial guarantee expense		3,798	12,920
Expected credit impairment loss (gain on reversal) of investment		27	11
Expected credit impairment loss of non-investment		421,618	293,186
Profit or loss reclassified by applying overlay approach		(252,580)	62,909
Depreciation	6(11)(12)(14)(31)	2,812,077	2,560,182
Amortization	6(31)	29,907	24,159
Impairment loss of rental assets	6(11)	9,573	13,659
Profit from lease modification	6(12)	-	(266)
Net gain on disposal of property, plant and equipment		(4,358)	(9,552)
Share of profit of associates accounted for using the equity method	6(10)	(437,487)	(682,157)
Interest expense		566,737	459,933
Interest income	6(29)	(3,679,901)	(2,856,871)
Dividend income		(24,650)	(16,894)
Unrealized profit from sales		44,801	71,765
Realized profit from sales		(66,381)	(44,478)
Exchange gain		35,148	6,946
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		(285,567)	(611,986)
Contract assets		3,637	(807)
Notes and accounts receivable		(11,296,514)	(10,408,598)
Other receivables		(112,722)	(270)
Inventories		2,560,659	3,436,649
Prepayments		(771,358)	(135,169)
Reinsurance contract assets		(302,720)	(370,702)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(16,124)	(55,742)
Contract liabilities		47,090	(146,055)
Notes and accounts payable		631,960	(8,231)
Accrued expenses		(755,370)	(609,636)
Other payables		251,469	55,539
Commission payable		(19,716)	(14,733)
Due to reinsurance and ceding companies		238,246	189,658
Claims payable		(9,719)	(14,698)
Advance receipts		(56,178)	(128,475)
Other current liabilities		1,033,593	898,198
Provisions		368,030	496,902
Other liabilities		(7)	(10)
Cash outflow generated from operations		(2,545,147)	(541,876)
Cash dividends received		24,650	16,894
Income tax paid		(163,593)	(180,950)
Interest received		3,671,528	2,839,727
Interest paid		(525,251)	(395,756)
Net cash provided by operating activities		462,187	1,738,039

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	<u>Three months ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		(\$ 32,889)	(\$ 20,317)
Increase in other financial assets		(49,524)	(110,137)
Acquisition of property, plant and equipment	6(11)	(5,972,933)	(4,494,072)
Proceeds from disposal of property, plant and equipment		131,217	115,551
Acquisition of intangible assets	6(15)	(4,332)	(114,358)
Increase in other assets		(422,729)	(1,330,029)
Net cash used in investing activities		(6,351,190)	(5,953,362)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(19)	3,000,000	-
Increase in short-term loans	6(36)	3,699,839	1,625,868
Increase in short-term notes and bills payable	6(36)	2,330,552	5,338,484
Proceeds from long-term loans	6(36)	500,357	1,099,141
Repayments of long-term loans	6(36)	(680,000)	(1,258,176)
Repayment of principal portion of lease liability	6(12)	(105,791)	(109,516)
Increase in guarantee deposits received	6(36)	442,567	291,372
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	4(3)	332,350	-
Change in non-controlling interests		60,584	300,000
Net cash provided by financing activities		9,580,458	7,287,173
Net effect of changes in foreign currency exchange rates		357,897	(22,101)
Increase in cash and cash equivalents		4,049,352	3,049,749
Cash and cash equivalents at beginning of period		25,813,580	18,525,991
Cash and cash equivalents at end of period		<u>\$ 29,862,932</u>	<u>\$ 21,575,740</u>

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
THREE MONTHS ENDED MARCH 31, 2022 AND 2021

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

(Reviewed, not audited)

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 reported to the Board of Directors on May 11, 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 2022 are as follows:

<u>New 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.

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

None.

(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” and IAS 34, “Interim financial reporting” as endorsed by the FSC.

(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 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 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 (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
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)	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
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	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	E-commerce platform services	70.00	100.00	100.00	Note 14
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50.00	50.00	50.00	Note 1, 6
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18.00	-	-	Note 1, 15
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	70.00	70.00	70.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
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	100.00	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., LTD.	Sales and repairing of vehicles	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd	Sales and repairing of vehicles	70.00	-	-	Note 13
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd	Leasing business	40.00	40.00	-	Note 1, 10
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd	Leasing business	30.00	30.00	-	Note 1, 10
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Hekang Equipment Leasing Co., Ltd	Leasing business	30.00	30.00	-	Note 1, 10
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	99.80	99.80	
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co., Ltd.	Retail and wholesale of collections	-	-	100.00	Note 11
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.10	41.10	60.00	Note 1, 7
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.40	27.40	40.00	Note 1, 7
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd	Taxi service	100.00	100.00	100.00	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd	Taxi service	100.00	100.00	100.00	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Finance Co., Ltd.	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	50.82	50.82	50.82	
Hotai Connected Co., Ltd	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	49.18	49.18	49.18	Note 1, 4
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment trading of various vehicles	81.00	81.00	-	Note 10
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	80.00	-	-	Note 15
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2022	December 31, 2021	March 31, 2021	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	100.00	100.00	-	Note 8
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51.00	51.00	51.00	
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	-	100.00	Note 12
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	Freight forwarders	-	-	100.00	Note 12
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	-	100.00	Note 12
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	-	Note 1, 7
Eastern Motor Co., Ltd.	Ho Tai Connected Co., Ltd	E-Commerce Trading Platform Services	0.50	-	-	Note 14
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	20.00	20.00	20.00	Note 6
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd	Sales of vehicle bodies	100.00	100.00	-	Note 9

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 January 21, 2021, the Company increased its investment in Hotai Connected Co., Ltd. in the amount of \$300,000 and acquired 30,000,00 shares.
- Note 4: 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 5: 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 6: 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 7: 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 \$3,000. 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 8: The subsidiary was established in the first quarter of 2021.
- Note 9: The subsidiary was established in the third quarter of 2021.
- Note 10: The subsidiary was established in the fourth quarter of 2021.
- Note 11: 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, Ho Tai Connected Co., Ltd. was the surviving company while Hotai Innovation Marketing Corporation was the dissolved company.
- Note 12: It had been liquidated and dissolved in the fourth quarter of 2021.
- Note 13: Qingdao Heling Lexus Automobile Sale Service Co., Ltd was newly invested and established by Hotong Motor Investment Co., Ltd. in December 2021. The investment amounted to RMB \$21 million and the Company's shareholding ratio was 70%.
- Note 14: On January 20, 2022, the Company disposed 30% of the shares of Hotai Connected Co., Ltd. at the consideration of \$337,983 (net of transfer tax), and the Company's subsidiary, Eastern Motor Co., Ltd. participated in the share subscription and the shareholding ratio was increased from 0% to 0.5%.
- Note 15: On February 22, 2022, the Company and the Company's subsidiary, Hotai Finance Co., Ltd. participated in the capital increase of He Jun Energy Co., Ltd amounting to \$180,000 and \$800,000, and the shareholding ratio was 18% and 80%, respectively.
- 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 March 31, 2022, December 31, 2021 and March 31, 2021, the non-controlling interest amounted to \$22,036,426, \$20,695,114 and \$19,529,265, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>March 31, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 12,964,849	54.610%	\$ 12,426,650	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,755,260	33.958%	1,633,775	33.958%

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>March 31, 2021</u>	
		<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 12,139,195	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,537,145	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>		
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current assets	\$ 200,263,887	\$ 188,826,138	\$ 157,986,596
Non-current assets	13,847,167	12,733,058	10,512,603
Current liabilities	(186,371,027)	(175,220,568)	(143,340,699)
Non-current liabilities	(876,949)	(844,949)	(629,096)
Total net assets	<u>\$ 26,863,078</u>	<u>\$ 25,493,679</u>	<u>\$ 24,529,404</u>

	<u>Hotai Leasing Co., Ltd.</u>		
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current assets	\$ 3,750,269	\$ 3,779,647	\$ 3,119,322
Non-current assets	36,282,795	35,248,653	32,658,942
Current liabilities	(21,201,064)	(20,097,307)	(19,425,963)
Non-current liabilities	(13,663,085)	(13,938,476)	(11,677,866)
Total net assets	<u>\$ 5,168,915</u>	<u>\$ 4,992,517</u>	<u>\$ 4,674,435</u>

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 5,184,626	\$ 4,119,639
Profit before income tax	1,259,672	1,181,796
Income tax expense	(291,373)	(278,774)
Profit for the period	<u>968,299</u>	<u>903,022</u>
Other comprehensive income (loss) for the period, net of tax	<u>201,100</u>	<u>(36,468)</u>
Total comprehensive income for the period	<u>\$ 1,169,399</u>	<u>\$ 866,554</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 538,200</u>	<u>\$ 401,115</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 4,704,704	\$ 4,331,004
Profit before income tax	352,282	304,156
Income tax expense	(78,877)	(65,749)
Profit for the period	<u>273,405</u>	<u>238,407</u>
Other comprehensive income (loss) for the period, net of tax	<u>84,346</u>	<u>(6,227)</u>
Total comprehensive income for the period	<u>\$ 357,751</u>	<u>\$ 232,180</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 121,485</u>	<u>\$ 78,844</u>

Statements of cash flows

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Net cash used in operating activities	(\$ 7,597,968)	(\$ 6,968,603)
Net cash used in investing activities	(909,754)	(1,133,460)
Net cash provided by financing activities	10,867,389	8,262,014
Net effect of changes in foreign currency exchange rates	<u>308,479</u>	<u>(13,249)</u>
Increase in cash and cash equivalents	2,668,146	146,702
Cash and cash equivalents, beginning of period	<u>1,058,573</u>	<u>390,420</u>
Cash and cash equivalents, end of period	<u>\$ 3,726,719</u>	<u>\$ 537,122</u>

	Hotai Leasing Co., Ltd.	
	Three months ended March 31,	
	2022	2021
Net cash provided by operating activities	\$ 3,825,346	\$ 3,388,987
Net cash used in investing activities	(4,321,632)	(3,377,564)
Net cash provided by financing activities	521,642	33,274
Increase in cash and cash equivalents	25,356	44,697
Cash and cash equivalents, beginning of period	109,655	86,941
Cash and cash equivalents, end of period	\$ 135,011	\$ 131,638

(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

- (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, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (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 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 estimated costs necessary to make the sale.

(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 3~5 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.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Cash on hand and revolving funds	\$ 14,216	\$ 15,980	\$ 13,746
Checking accounts and demand deposits	11,736,017	12,272,486	9,789,229
Cash equivalents			
Time deposits	3,244,107	1,944,899	671,343
Short-term notes and bills	<u>14,868,592</u>	<u>11,580,215</u>	<u>11,101,422</u>
	<u>\$ 29,862,932</u>	<u>\$ 25,813,580</u>	<u>\$ 21,575,740</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 March 31, 2022, December 31, 2021 and March 31, 2021, the Group presented its time deposits maturing in excess of three months of \$1,862,958, \$1,828,223 and \$1,738,923, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</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	\$ 3,071,798	\$ 2,947,462	\$ 3,389,390
Derivative instruments	256,526	12,587	219,886
Financial instruments	1,150,800	683,213	848,942
Listed stocks	1,758,342	1,810,312	842,791
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,468,928	1,598,055	1,237,183
Valuation adjustment	409,325	647,593	465,201
	<u>\$ 8,175,699</u>	<u>\$ 7,759,202</u>	<u>\$ 7,063,373</u>

Non-current items:

Financial assets mandatorily measured at fair value through profit or loss

Corporate bonds	<u>\$ 1,035,718</u>	<u>\$ 1,035,718</u>	<u>\$ 1,051,390</u>
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Financial liabilities at fair value through profit or loss

Current items:

Financial liabilities held for trading

Derivative instruments	<u>\$ 11,656</u>	<u>\$ 27,780</u>	<u>\$ 6,429</u>
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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>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 249,800	\$ 262,469
Domestic and foreign beneficiary certificates	(19,619)	(26,976)
Listed stocks	(79,737)	222,746
Listed preference share	(337)	363
Exchange Traded Funds	(27,696)	170,815
Corporate bonds	<u>8,519</u>	<u>8,519</u>
	<u>\$ 130,930</u>	<u>\$ 637,936</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>March 31, 2022</u>	
<u>Derivative instruments</u>	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 351,037</u>	2021.12.17~2022.10.07
Foreign exchange swap contracts	<u>USD 24,410</u>	2022.01.10~2022.07.04

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

	<u>March 31, 2021</u>	
<u>Derivative instruments</u>	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 406,122</u>	2020.12.18~2021.09.14
Foreign exchange swap contracts	<u>USD 24,600</u>	2021.01.07~2021.07.02

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 March 31, 2022, December 31, 2021 and March 31, 2021, such financial assets designated using overlay approach are as follows:

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 1,393,905	\$ 1,445,876	\$ 747,389
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	1,468,928	1,598,055	1,237,183
Beneficiary certificates	1,180,000	1,182,000	1,382,000
Foreign beneficiary certificates	420,582	404,245	367,399
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	<u>383,633</u>	<u>636,213</u>	<u>482,608</u>
	<u>\$ 5,407,028</u>	<u>\$ 5,826,369</u>	<u>\$ 4,776,559</u>

For the three months ended March 31, 2022 and 2021, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Gains (losses) recognized in profit or loss under IFRS 9	(\$ 113,330)	\$ 385,704
Less: Gains recognized in profit or loss under IAS 39	<u>139,250</u>	<u>322,795</u>
Profit (loss) reclassified under overlay approach	<u>(\$ 252,580)</u>	<u>\$ 62,909</u>
Effect from change in tax	<u>\$ 4,203</u>	<u>\$ 1,040</u>

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)

<u>Type of structured entities</u>	<u>Book value at March 31, 2022</u>	<u>Book value at December 31, 2021</u>	<u>Book value at March 31, 2021</u>	<u>Description</u>
Infrastructure fund	<u>\$ 349,521</u>	<u>\$ 330,683</u>	<u>\$ 321,076</u>	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.
Real estate private placement fund	<u>\$ 125,328</u>	<u>\$ 106,812</u>	<u>\$ 73,799</u>	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.

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

<u>Items</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current items:			
Debt instrument			
Government bonds	\$ 253,783	\$ -	\$ -
Financial bonds	200,280	200,418	-
Foreign financial bonds	<u>160,256</u>	<u>119,319</u>	<u>45,622</u>
	614,319	319,737	45,622
Valuation adjustment (including loss allowance)	<u>1,564</u>	<u>2,387</u>	<u>719</u>
	<u>\$ 615,883</u>	<u>\$ 322,124</u>	<u>\$ 46,341</u>
Non-current items:			
Debt instrument			
Government bonds	\$ 108,802	\$ 363,789	\$ 367,471
Corporate bonds	302,538	302,895	304,606
Financial bonds	304,561	304,846	506,571
Foreign corporate and financial bonds	<u>587,874</u>	<u>594,669</u>	<u>663,421</u>
	1,303,775	1,566,199	1,842,069
Valuation adjustment (including loss allowance)	(11,671)	27,466	48,564
Less: Operation bonds	(<u>300,300</u>)	(<u>300,300</u>)	(<u>300,300</u>)
	<u>991,804</u>	<u>1,293,365</u>	<u>1,590,333</u>
Equity instruments			
Listed stocks and unlisted stocks	6,440,972	6,440,249	6,440,904
Valuation adjustment	<u>3,282,999</u>	<u>2,859,262</u>	<u>1,782,564</u>
	<u>9,723,971</u>	<u>9,299,511</u>	<u>8,223,468</u>
	<u>\$ 10,715,775</u>	<u>\$ 10,592,876</u>	<u>\$ 9,813,801</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 \$9,723,971, \$9,299,511 and \$8,223,468, respectively, as at March 31, 2022, December 31, 2021 and March, 31, 2021.

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>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 39,939)	(\$ 12,018)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	20	12
Reclassified due to derecognition	(21)	24
	<u>(\$ 39,940)</u>	<u>(\$ 11,982)</u>
Interest income recognized in profit or loss	<u>\$ 8,901</u>	<u>\$ 9,049</u>

<u>Items</u>	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 423,735</u>	<u>\$ 132,290</u>

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 March 31, 2022, 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

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<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	\$ 2,719	(\$ 707,700)	\$ -	(\$ 578,276)	\$ -	(\$ 385,735)

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.

	March 31, 2021				Three months ended March 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</u>											
<u>Interest rate risk</u>											
Cross currency swaps transactions	USD	18,000	2019/1/7 ~2021/6/18	\$	- (\$ 28,064)	\$	-	6.87	4.35	\$	-
	USD	165,000	2018/4/16 ~2021/9/17		- (259,888)		-	29.20~30.77	0.92~1.18		-
	JPY	3,800,000	2020/8/5 ~2023/8/7		- (97,783)		-	0.28	1.08		-

		March 31, 2021	
		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		\$ 6,573,653	(\$ 377,651)

C. Cash flow hedges

	Three months ended March 31,	
	2022	2021
<u>Cash flow hedge reserve</u>		
At January 1	(\$ 52,476)	\$ 16,894
Less: Gains (losses) on hedge effectiveness-amount recognized in other comprehensive income	36,835 (24,210)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	(6,514) (5,893)
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	(7,791)	5,835
At March 31	(\$ 29,946)	(\$ 7,374)

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Notes receivable	\$ 2,453,981	\$ 2,063,891	\$ 2,010,930
Installment notes receivable	8,436,162	8,333,934	7,223,492
Accounts receivable	6,850,827	5,266,711	6,366,573
Installment accounts receivable	190,144,851	178,995,777	148,243,515
Lease payments and notes receivable	24,630,382	24,394,947	19,579,918
Premiums receivable	857,767	751,027	736,792
Overdue receivable	<u>63,244</u>	<u>37,523</u>	<u>30,663</u>
	233,437,214	219,843,810	184,191,883
Less: Unrealized interest income	(20,992,637)	(19,093,881)	(15,126,900)
Unearned finance income	(2,325,299)	(2,349,549)	(2,096,408)
Allowance for doubtful accounts	<u>(4,132,374)</u>	<u>(3,782,588)</u>	<u>(3,519,794)</u>
Notes and accounts receivable, net	<u>\$ 205,986,904</u>	<u>\$ 194,617,792</u>	<u>\$ 163,448,781</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current	<u>\$ 201,406,107</u>	<u>\$ 190,535,009</u>	<u>\$ 160,732,414</u>
Non-current (shown as other assets)	<u>\$ 4,580,797</u>	<u>\$ 4,082,783</u>	<u>\$ 2,716,367</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$4,179,081, \$5,349,850 and \$3,900,409, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 230,885,838	\$ 218,003,316	\$ 182,328,671
Up to 30 days	489,558	221,315	136,813
31 to ~ 90 days	1,092,125	813,949	934,468
91 to ~ 180 days	613,202	444,285	356,918
Over 180 days	<u>356,491</u>	<u>360,945</u>	<u>435,013</u>
	<u>\$ 233,437,214</u>	<u>\$ 219,843,810</u>	<u>\$ 184,191,883</u>

The above aging analysis was based on past due date.

B. As of March 31, 2022, December 31, 2021 and March 31, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,356,393, \$7,394,968 and \$8,391,703, respectively.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Up to 12 months	\$ 68,442,483	\$ 63,970,842	\$ 55,688,496
Over 12 months	<u>130,138,530</u>	<u>123,358,869</u>	<u>99,778,511</u>
	<u>\$ 198,581,013</u>	<u>\$ 187,329,711</u>	<u>\$ 155,467,007</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:

<u>March 31, 2022</u>						
<u>Financial assets</u>						
<u>Description</u>	Gross amounts of recognized financial assets <u>(a)</u>	Gross amounts of recognized financial liabilities set off <u>(b)</u>	Net amounts of financial assets presented in the balance sheet <u>(c)=(a)-(b)</u>	<u>Not set off in the balance sheets</u>		Net amount <u>(f)=(c)-(d)-(e)</u>
				Financial instruments <u>(d)</u>	Collateral received <u>(e)</u>	
Derivative instruments	\$ 288	\$ -	\$ 288	\$ 288	\$ -	\$ -
Reverse repurchase agreement	<u>3,899,119</u>	<u>-</u>	<u>3,899,119</u>	<u>-</u>	<u>3,885,207</u>	<u>13,912</u>
	<u>\$3,899,407</u>	<u>\$ -</u>	<u>\$ 3,899,407</u>	<u>\$ 288</u>	<u>\$3,885,207</u>	<u>\$ 13,912</u>
<u>Financial liabilities</u>						
<u>Description</u>	Gross amounts of recognized financial liabilities <u>(a)</u>	Gross amounts of recognized financial assets set off <u>(b)</u>	Net amounts of financial liabilities presented in the balance sheet <u>(c)=(a)-(b)</u>	<u>Not set off in the balance sheets</u>		Net amount <u>(f)=(c)-(d)-(e)</u>
				Financial Instruments <u>(d)</u>	Collateral received <u>(e)</u>	
Derivative instruments	\$ 11,656	\$ -	\$ 11,656	\$ 288	\$ -	\$ 11,368

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		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (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		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 58	\$ -	\$ 58	\$ 58	\$ -	\$ -

March 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		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 773	\$ -	\$ 773	\$ 773	\$ -	\$ -
Reverse repurchase agreement	2,895,696	-	2,895,696	-	2,895,696	-
	<u>\$2,896,469</u>	<u>\$ -</u>	<u>\$ 2,896,469</u>	<u>\$ 773</u>	<u>\$2,895,696</u>	<u>\$ -</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		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 5,346	\$ -	\$ 5,346	\$ 773	\$ -	\$ 4,573

(7) Inventories

	<u>March 31, 2022</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 5,086,681	(\$ 116,268)	\$ 4,970,413
Air conditioners and parts	2,502,137	(316,743)	2,185,394
Other goods	297,922	(6,091)	291,831
Inventory in transit	<u>1,253,074</u>	<u>-</u>	<u>1,253,074</u>
	<u>\$ 9,139,814</u>	<u>(\$ 439,102)</u>	<u>\$ 8,700,712</u>

	<u>December 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
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>

	<u>March 31, 2021</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 5,223,042	(\$ 109,336)	\$ 5,113,706
Air conditioners and parts	2,647,928	(338,794)	2,309,134
Other goods	260,537	(9,475)	251,062
Inventory in transit	<u>1,848,625</u>	<u>-</u>	<u>1,848,625</u>
	<u>\$ 9,980,132</u>	<u>(\$ 457,605)</u>	<u>\$ 9,522,527</u>

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

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

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Cost of goods sold	\$ 42,986,216	\$ 49,305,605
Loss on market value decline of inventories	<u>4,163</u>	<u>7,703</u>
	<u>\$ 42,990,379</u>	<u>\$ 49,313,308</u>

(8) Prepayments

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Prepayments to commissions	\$ 3,084,311	\$ 3,219,604	\$ 3,359,599
Prepayments to suppliers	4,063,281	3,289,417	2,775,222
Offset against business tax payable	516,749	532,498	770,325
Prepaid insurance premiums	564,904	565,330	458,073
Other prepayments	<u>976,250</u>	<u>824,745</u>	<u>769,759</u>
	<u>\$ 9,205,495</u>	<u>\$ 8,431,594</u>	<u>\$ 8,132,978</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Claims recoverable from reinsurers	\$ 166,984	\$ 153,876	\$ 108,734
Due from reinsurance and ceding companies	141,309	127,160	77,074
Reinsurance reserve assets			
-Ceded unearned premium reserve	1,341,238	1,183,255	1,222,892
-Ceded claims reserve	1,777,016	1,661,846	1,155,249
Due from reinsurance and ceding companies-overdue	<u>15,366</u>	<u>12,532</u>	<u>20,486</u>
	3,441,913	3,138,669	2,544,435
Less: Loss allowance	<u>(13,290)</u>	<u>(12,767)</u>	<u>(17,945)</u>
	<u>\$ 3,428,623</u>	<u>\$ 3,125,902</u>	<u>\$ 2,526,490</u>

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current	<u>\$ 2,638,972</u>	<u>\$ 2,396,571</u>	<u>\$ 1,855,096</u>
Non-current (shown as other assets)	<u>\$ 789,651</u>	<u>\$ 729,331</u>	<u>\$ 671,394</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>2022</u>	<u>2021</u>
At January 1	\$ 12,767	\$ 16,792
Provision during the period	<u>523</u>	<u>1,153</u>
At March 31	<u>\$ 13,290</u>	<u>\$ 17,945</u>

C. Details of insurance liabilities are as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Unearned premium reserve	\$ 6,519,668	\$ 6,127,570	\$ 5,755,543
Claims reserve	5,541,605	5,309,570	4,175,787
Special reserve	<u>1,944,873</u>	<u>1,921,235</u>	<u>1,906,285</u>
	<u>\$ 14,006,146</u>	<u>\$ 13,358,375</u>	<u>\$ 11,837,615</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current (shown as other current liabilities)	<u>\$ 9,410,136</u>	<u>\$ 8,902,416</u>	<u>\$ 7,785,706</u>
Non-current (shown as provisions)	<u>\$ 4,596,010</u>	<u>\$ 4,455,959</u>	<u>\$ 4,051,911</u>

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

	2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 6,127,570	\$ 1,183,255	\$ 4,944,315
Provision during the period	6,519,968	1,341,238	5,178,430
Recovery during the period	(6,127,570)	(1,183,255)	(4,944,315)
At March 31	<u>\$ 6,519,968</u>	<u>\$ 1,341,238</u>	<u>\$ 5,178,430</u>

	2021		
	<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 period	5,755,543	1,222,892	4,532,651
Recovery during the period	(5,483,854)	(1,070,363)	(4,413,491)
At March 31	<u>\$ 5,755,543</u>	<u>\$ 1,222,892</u>	<u>\$ 4,532,651</u>

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

(a) As of March 31, 2022, December 31, 2021 and March 31, 2021, details of claims reserve and ceded claims reserve are as follows:

	March 31, 2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,724,422	\$ 854,859	\$ 1,869,583
Incurred but not reported	<u>2,817,163</u>	<u>922,157</u>	<u>1,895,006</u>
	<u>\$ 5,541,605</u>	<u>\$ 1,777,016</u>	<u>\$ 3,764,589</u>

	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>512,311</u>	<u>2,176,580</u>
	<u>\$ 5,309,570</u>	<u>\$ 1,361,846</u>	<u>\$ 3,947,724</u>

	March 31, 2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,314,537	\$ 589,726	\$ 1,724,811
Incurred but not reported	<u>1,861,250</u>	<u>525,523</u>	<u>1,335,727</u>
	<u>\$ 4,175,787</u>	<u>\$ 1,115,249</u>	<u>\$ 3,060,538</u>

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

	2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,309,570	\$ 1,661,846	\$ 3,647,724
Provision during the period	5,541,605	1,777,016	3,764,589
Recovery during the period	(5,309,570)	(1,661,846)	(3,647,724)
At March 31	<u>\$ 5,541,605</u>	<u>\$ 1,777,016</u>	<u>\$ 3,764,589</u>

	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 period	4,175,787	1,115,249	3,060,538
Recovery during the period	(3,655,621)	(900,591)	(2,755,030)
At March 31	<u>\$ 4,175,787</u>	<u>\$ 1,115,249</u>	<u>\$ 3,060,538</u>

F. Movement of special reserve is as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,921,235	\$ 1,913,531
Provision during the period	24,036	-
Recovery during the period	(398)	(7,246)
At March 31	<u>\$ 1,944,873</u>	<u>\$ 1,906,285</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Decrease in special reserve under liability	\$ 378,992	\$ 379,390	\$ 380,585
Increase in special reserve under retained earnings	314,768	315,086	316,042

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Increase in net income before tax	\$ 398	\$ 398
Increase in earnings per share before tax	0.02	0.02

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 March 31, 2022, December 31, 2021 and March 31, 2021.

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	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 three months ended March 31, 2022 and 2021.

(10) Investments accounted for using the equity method

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Kuozui Motors, Ltd.	\$ 5,323,627	\$ 5,242,021	\$ 4,879,051
Central Motor Co., Ltd.	2,703,003	2,649,211	2,671,422
Tau Miao Motor Co., Ltd.	1,726,950	1,673,305	1,655,283
Kau Du Automobile Co., Ltd.	1,447,486	1,408,476	1,424,705
Kuotu Motor Co., Ltd.	1,371,316	1,315,675	1,290,547
Taipei Toyota Motor Co., Ltd.	1,262,753	1,197,429	1,227,846
Nan Du Motor Co., Ltd.	1,184,492	1,130,250	1,135,567
Lang Yang Toyota Motor Co., Ltd.	397,434	394,678	307,712
Formosa Flexible Packaging Corp.	305,860	301,184	380,803
Shi-Ho Screw Industrial Co., Ltd.	127,723	126,413	128,940
Yokohama Tire Taiwan Co., Ltd., etc.	<u>1,984,042</u>	<u>1,897,429</u>	<u>1,879,965</u>
	<u>\$ 17,834,686</u>	<u>\$ 17,336,071</u>	<u>\$ 16,981,841</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 March 31, 2022, December 31, 2021 and March 31, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$17,834,686, \$17,336,071 and \$16,981,841, respectively.

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Comprehensive income for the period	<u>\$ 477,035</u>	<u>\$ 680,601</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 \$437,487 and \$682,157 for the three months ended March 31, 2022 and 2021, respectively, and were valued based on the investees' financial statements that were not audited by independent auditors.

(11) Property, plant and equipment

	2022										
	Utility equipment			Office equipment		Machinery and equipment			Leasehold improvements	Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)			
<u>At January 1, 2022</u>											
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	\$ 73,813,698
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
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)	-	(21,552,509)
	<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>	<u>\$ 53,619,235</u>
<u>2022</u>											
Opening net book amount as of January 1	\$ 11,244,783	\$ 3,555,813	\$ 7,731	\$ 184	\$ 822,360	\$ 437,204	\$ 255,549	\$ 35,911,417	\$ 186,945	\$ 1,197,249	\$ 53,619,235
Additions	478,894	127,175	198	-	149,753	47,903	4,804	4,818,731	3,576	341,899	5,972,933
Disposals	-	-	-	(2,990)	(973)	(115)	(122,781)	-	-	(126,859)	
Reclassifications	-	218,108	-	-	1,020	(43,833)	5,062	(1,202,653)	(175,728)	(1,198,024)	
Depreciation	(43,907)	(380)	(11)	(66,817)	(53,669)	(10,935)	(2,472,611)	(11,944)	-	(2,660,274)	
Impairment loss	-	-	-	-	-	363	(9,936)	-	-	(9,573)	
Net exchange differences	61,377	122	-	14,324	2,211	6,053	37,677	259	1,760	123,783	
Closing net book amount as of March 31	<u>\$ 11,723,677</u>	<u>\$ 3,918,566</u>	<u>\$ 7,671</u>	<u>\$ 173</u>	<u>\$ 917,650</u>	<u>\$ 389,206</u>	<u>\$ 260,418</u>	<u>\$ 36,959,844</u>	<u>\$ 178,836</u>	<u>\$ 1,365,180</u>	<u>\$ 55,721,221</u>
<u>At March 31, 2022</u>											
Cost	\$ 10,404,560	\$ 6,407,712	\$ 142,194	\$ 59,990	\$ 2,313,072	\$ 863,776	\$ 618,464	\$ 53,859,568	\$ 719,696	\$ 1,365,180	\$ 76,754,212
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,501,225)	(134,523)	(59,817)	(1,395,422)	(474,570)	(358,046)	(16,899,724)	(540,860)	-	(22,391,037)
	<u>\$ 11,723,677</u>	<u>\$ 3,918,566</u>	<u>\$ 7,671</u>	<u>\$ 173</u>	<u>\$ 917,650</u>	<u>\$ 389,206</u>	<u>\$ 260,418</u>	<u>\$ 36,959,844</u>	<u>\$ 178,836</u>	<u>\$ 1,365,180</u>	<u>\$ 55,721,221</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.

	2021										
	Land	Buildings and structures	Utility equipment		Office equipment		Machinery and equipment		Leasehold improvements	Construction in progress	Total
			Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)			
<u>At January 1, 2021</u>											
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>
<u>2021</u>											
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	\$ 48,726,030
Additions	65,027	84	702	-	80,596	65,244	9,785	4,042,210	10,929	219,495	4,494,072
Disposals	-	-	-	-	(33,538)	(801)	-	(71,091)	(569)	-	(105,999)
Reclassifications	-	3,565	-	-	1,714	(80,388)	(1,436)	(1,022,635)	-	(2,125)	(1,101,305)
Depreciation	-	(39,453)	(375)	(11)	(59,134)	(54,091)	(13,122)	(2,241,918)	(18,098)	-	(2,426,202)
Impairment loss	-	-	-	-	-	4,588	-	(18,247)	-	-	(13,659)
Net exchange differences	-	(4,586)	(12)	-	(992)	(136)	(481)	(2,657)	(4)	(868)	(9,736)
Closing net book amount as of March 31	<u>\$ 10,741,133</u>	<u>\$ 3,172,302</u>	<u>\$ 7,264</u>	<u>\$ 218</u>	<u>\$ 765,499</u>	<u>\$ 435,266</u>	<u>\$ 249,706</u>	<u>\$ 33,080,149</u>	<u>\$ 187,593</u>	<u>\$ 924,071</u>	<u>\$ 49,563,201</u>
<u>At March 31, 2021</u>											
Cost	\$ 9,422,016	\$ 5,432,880	\$ 143,872	\$ 59,990	\$ 2,010,936	\$ 866,710	\$ 602,872	\$ 47,595,294	\$ 746,777	\$ 924,071	\$ 67,805,418
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,272,657)	(136,608)	(59,772)	(1,245,437)	(431,444)	(353,166)	(14,515,145)	(559,184)	-	(19,600,263)
	<u>\$ 10,741,133</u>	<u>\$ 3,172,302</u>	<u>\$ 7,264</u>	<u>\$ 218</u>	<u>\$ 765,499</u>	<u>\$ 435,266</u>	<u>\$ 249,706</u>	<u>\$ 33,080,149</u>	<u>\$ 187,593</u>	<u>\$ 924,071</u>	<u>\$ 49,563,201</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Land	\$ 1,806,470	\$ 1,799,940	\$ 1,865,013
Buildings and structures	1,608,144	1,633,380	1,358,685
Machinery and equipment	3,014	3,288	4,110
Office equipment	<u>1,863</u>	<u>352</u>	<u>1,396</u>
	<u>\$ 3,419,491</u>	<u>\$ 3,436,960</u>	<u>\$ 3,229,204</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Depreciation charge</u>		
Land	\$ 46,848	\$ 30,386
Buildings and structures	98,723	96,959
Machinery and equipment	274	274
Office equipment	<u>163</u>	<u>522</u>
	<u>\$ 146,008</u>	<u>\$ 128,141</u>

C. For the three months ended March 31, 2022 and 2021, the additions to right-of-use assets amounted to \$46,134 and \$279,705, respectively.

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

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,735	\$ 10,972
Expense on short-term lease contracts and leases of low-value assets	14,993	11,037
Gain on lease modification	-	266

E. For the three months ended March 31, 2022 and 2021, the Group's total cash outflow for lease (including short-term lease contracts and leases of low-value assets) amounted to \$132,519 and \$131,525, 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>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Finance income from the net investment in the finance lease	\$ <u>668,130</u>	\$ <u>558,389</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Less than 1 year	\$ 16,542,800	\$ 15,925,217	\$ 13,008,243
Between 1 and 2 years	6,194,570	5,993,010	5,186,743
Between 2 and 3 years	1,557,950	1,346,121	1,191,990
Between 3 to 4 years	193,693	127,207	107,619
Between 4 to 5 years	123,783	36,844	31,467
More than 6 years	<u>815</u>	<u>790</u>	<u>33</u>
	<u>\$ 24,613,611</u>	<u>\$ 23,429,189</u>	<u>\$ 19,526,095</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
	<u>Non-current</u>	<u>Non-current</u>	<u>Non-current</u>
Undiscounted lease payments	\$ 24,613,611	\$ 23,429,189	\$ 19,526,095
Unearned finance income	(2,325,299)	(2,349,549)	(2,096,408)
Net investment in the lease	<u>\$ 22,288,312</u>	<u>\$ 21,079,640</u>	<u>\$ 17,429,687</u>

- E. For the three months ended March 31, 2022 and 2021, the Group recognized rent income in the amount of \$4,198,346 and \$3,675,532, 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Less than 1 year	\$ 11,527,483	\$ 11,207,708	\$ 9,832,323
Between 1 and 2 years	7,228,554	6,915,809	6,988,650
Between 2 and 3 years	3,417,327	3,172,160	3,306,053
Between 3 to 4 years	1,060,526	998,909	998,337
Between 4 to years	366,984	336,628	312,740
More than 6 years	<u>20,990</u>	<u>16,030</u>	<u>9,619</u>
	<u>\$ 23,621,864</u>	<u>\$ 22,647,244</u>	<u>\$ 21,468,887</u>

(14) Investment property

	<u>2022</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 1,412,393	\$ 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>
<u>2022</u>			
Opening net book amount as of January 1	\$ 1,740,187	\$ 791,496	\$ 2,531,683
Depreciation	-	(5,795)	(5,795)
Closing net book amount as of March 31	<u>\$ 1,740,187</u>	<u>\$ 785,701</u>	<u>\$ 2,525,888</u>
<u>At March 31, 2022</u>			
Cost	\$ 1,412,393	\$ 1,115,202	\$ 2,527,595
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(329,501)	(329,501)
	<u>\$ 1,740,187</u>	<u>\$ 785,701</u>	<u>\$ 2,525,888</u>
	<u>2021</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 1,214,517	\$ 1,131,64	\$ 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>2022</u>			
Opening net book amount as of January 1	\$ 1,542,311	\$ 820,251	\$ 2,362,562
Reclassifications	-	(8,168)	(8,168)
Depreciation	-	(5,839)	(5,839)
Closing net book amount as of March 31	<u>\$ 1,542,311</u>	<u>\$ 806,244</u>	<u>\$ 2,348,555</u>
<u>At March 31, 2021</u>			
Cost	\$ 1,214,517	\$ 1,123,474	\$ 2,346,159
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(317,230)	(317,230)
	<u>\$ 1,542,311</u>	<u>\$ 806,244</u>	<u>\$ 2,348,555</u>

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

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$ 44,217	\$ 39,988
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 8,809	\$ 8,535

B. The fair value of the investment property held by the Group was \$3,341,603, \$3,309,155 and \$2,826,096 as of March 31, 2022, December 31, 2021 and March 31, 2021, 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

	<u>2022</u>			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>At January 1, 2022</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>\$ 1,297,739</u>
<u>2022</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 439,987	\$ 195,429	\$ 1,297,739
Additions-acquired separately	-	-	4,332	4,332
Amortization	-	(4,392)	(15,708)	(20,100)
Net change differences	-	-	367	367
Closing net book amount as of March 31	<u>\$ 662,323</u>	<u>\$ 435,595</u>	<u>\$ 184,420</u>	<u>\$ 1,282,338</u>
<u>At March 31, 2022</u>				
Cost	\$ 662,323	\$ 527,106	\$ 430,962	\$ 1,620,391
Accumulated amortization and impairment	-	(91,511)	(246,542)	(338,053)
	<u>\$ 662,323</u>	<u>\$ 435,595</u>	<u>\$ 184,420</u>	<u>\$ 1,282,338</u>

	2021			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
<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>2021</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 457,556	\$ 91,366	\$ 1,211,245
Additions-acquired separately	-	-	114,358	114,358
Amortization	-	(4,391)	(17,049)	(21,440)
Net change differences	-	-	(7)	(7)
Closing net book amount as of March 31	<u>\$ 662,323</u>	<u>\$ 453,165</u>	<u>\$ 188,668</u>	<u>\$ 1,304,156</u>
<u>At March 31, 2021</u>				
Cost	\$ 662,323	\$ 527,106	\$ 368,685	\$ 1,558,114
Accumulated amortization and impairment	-	(73,941)	(180,017)	(253,958)
	<u>\$ 662,323</u>	<u>\$ 453,165</u>	<u>\$ 188,668</u>	<u>\$ 1,304,156</u>

Details of amortization on intangible assets are as follows:

	Three months ended March 31,	
	<u>2022</u>	<u>2021</u>
Administrative expenses	\$ 20,100	\$ 21,440

(16) Other assets

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 5,225,025	\$ 4,700,927	\$ 3,278,605
Reinsurance contract assets	789,651	729,332	671,394
Operation bonds	300,300	300,300	300,300
Guarantee deposits paid	498,761	516,843	438,469
Prepayments for business facilities	106,814	184,433	52,282
Others	1,557,140	1,621,077	2,023,113
	<u>\$ 8,477,691</u>	<u>\$ 8,052,912</u>	<u>\$ 6,764,163</u>

(17) Short-term loans

<u>Type of loans</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Bank loans			
Unsecured loans	\$ 66,436,531	\$ 51,812,383	\$ 44,473,499
Mortgage loans	2,400,000	5,600,000	5,100,000
Mid-term syndicated loans for working capital	1,508,252	9,353,857	348,242
	<u>\$ 70,344,783</u>	<u>\$ 66,766,240</u>	<u>\$ 49,921,741</u>
Annual interest rate	<u>0.52%~4.75%</u>	<u>0.52%~4.75%</u>	<u>0.58%~4.75%</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the details of loans are as follows:

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of short-term loans was 0.52%~4.75%, 0.52%~4.75% and 0.58%~4.75%, respectively.
- B. 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.
- C. 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.
- 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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Commercial paper payable	\$ 107,299,936	\$ 104,950,000	\$ 89,415,001
Less: Unamortized discount	(108,042)	(88,658)	(54,642)
	<u>\$ 107,191,894</u>	<u>\$ 104,861,342</u>	<u>\$ 89,360,359</u>
Annual interest rate	<u>0.45%~1.19%</u>	<u>0.39%~1.04%</u>	<u>0.30%~1.16%</u>

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

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Bonds payable	<u>\$ 15,200,000</u>	<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 first secured ordinary corporate bonds was issued in 2022. The total amount was \$3,000,000, the coupon rate was 0.57% with a 3-year period, the outstanding period was from January 13, 2022 to January 13, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. 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.
- C. 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.

D. 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.

E. 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.

(20) Long-term loans

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
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%~1.37%	None	\$ 137,404	\$ 132,902	\$ -
	USD 3,000 thousand; borrowing period is from September 2018 to July 2021; interest is repayable quarterly	1.38%	None	-	-	85,815
	USD 3,500 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.53%	None	-	-	100,118
	USD 1,300 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.53%	None	-	-	37,187
Secured borrowings	From December 2019 to December 2024	1.20%	Land (please refer to Note 8)	10,000	40,000	62,500
	From January 2019 to January 2022	1.18%	Notes receivable for lease payments (please refer to Note 8)	-	150,000	150,000
Commercial papers payable	From April 2019 to November 2024	0.65%~1.06%	Notes receivable for lease payments (please refer to Note 8)	5,800,000	5,800,000	-
	From June 2018 to March 2024	0.67%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	-	5,400,000
Less: unamortized discounts				(6,915)	(7,274)	(8,117)
				5,940,489	6,115,628	5,827,503
Less: long-term liabilities, current portion				(1,308,364)	(1,379,045)	(2,399,937)
				<u>\$ 4,632,125</u>	<u>\$ 4,736,583</u>	<u>\$ 3,427,566</u>
Interest rate range				<u>0.65%~1.37%</u>	<u>0.65%~1.51%</u>	<u>0.67%~2.20%</u>

As of March 31, 2022, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 1,310,000
1 to 2 years	2,600,000
2 to 3 years	2,037,404
	<u>\$ 5,947,404</u>

(21) Accrued expenses

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Wages and salaries payable	\$ 2,508,173	\$ 2,761,874	\$ 2,239,972
Dealer bonus payable	286,455	271,415	375,138
Remuneration payable to employees	981,826	919,070	859,882
Remuneration payable to directors	487,202	385,761	453,300
Interest payable	186,647	142,741	193,051
Others	<u>1,795,873</u>	<u>2,476,779</u>	<u>1,475,901</u>
	<u>\$ 6,246,176</u>	<u>\$ 6,957,640</u>	<u>\$ 5,597,244</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 three months ended March 31, 2022 and 2021, were \$85,612 and \$77,649, respectively.

(23) Provisions

	<u>2022</u>	<u>2021</u>
At January 1	\$ 4,838,945	\$ 4,141,106
Additional provisions during the period	618,140	525,147
Used during the period	(183,336)	(187,515)
Unused amounts reversed	(165,696)	(129,357)
At March 31	<u>\$ 5,108,053</u>	<u>\$ 4,349,381</u>

Analysis of provision for warranty is as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current (shown as other current liabilities)	\$ 1,114,176	\$ 1,073,047	\$ 1,053,285
Non-current	<u>\$ 3,993,877</u>	<u>\$ 3,765,898</u>	<u>\$ 3,296,096</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Deposits received for car rentals	\$ 15,840,398	\$ 15,386,885	\$ 13,984,548
Others	<u>97,332</u>	<u>108,278</u>	<u>107,541</u>
	<u>\$ 15,937,730</u>	<u>\$ 15,495,163</u>	<u>\$ 14,092,089</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Current (shown as other current liabilities)	<u>\$ 8,068,690</u>	<u>\$ 7,210,866</u>	<u>\$ 6,780,667</u>
Non-current	<u>\$ 7,869,040</u>	<u>\$ 8,284,297</u>	<u>\$ 7,311,422</u>

(25) Share capital

As of March 31, 2022, 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, 2022 and March 31, 2022 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.

「The Board of Directors can distribute all or part of the distributable dividends and bonus in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforesaid requirement on obtaining resolution from the shareholders is not applicable.」

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
<u>Three months ended March 31, 2022</u>					
Segments	\$ 33,534,177	\$ 403,388	\$ 1,575,821	\$ 17,744,807	\$ 53,258,193
Inter segments	(1,775,834)	(889)	(80,323)	(1,568,667)	(3,425,713)
Revenue from external customer					
Contracts	<u>\$ 31,758,343</u>	<u>\$ 402,499</u>	<u>\$ 1,495,498</u>	<u>\$ 16,176,140</u>	<u>\$ 49,832,480</u>
Timing of revenue recognition					
At a point in time	\$ 31,758,343	\$ 326,130	\$ 1,494,458	\$ 15,749,244	\$ 49,328,175
Over time	-	76,369	1,040	426,896	504,305
	<u>\$ 31,758,343</u>	<u>\$ 402,499</u>	<u>\$ 1,495,498</u>	<u>\$ 16,176,140</u>	<u>\$ 49,832,480</u>
<u>Three months ended March 31, 2021</u>					
Segments	\$ 41,100,623	\$ 365,155	\$ 1,595,473	\$ 17,109,016	\$ 60,170,267
Inter segments	(2,296,457)	(10)	(152,434)	(1,138,342)	(3,587,243)
Revenue from external customer					
Contracts	<u>\$ 38,804,166</u>	<u>\$ 365,145</u>	<u>\$ 1,443,039</u>	<u>\$ 15,970,674</u>	<u>\$ 56,583,024</u>
Timing of revenue recognition					
At a point in time	\$ 38,804,166	\$ 260,915	\$ 1,441,941	\$ 15,665,639	\$ 56,172,661
Over time	-	104,230	1,098	305,035	410,363
	<u>\$ 38,804,166</u>	<u>\$ 365,145</u>	<u>\$ 1,443,039</u>	<u>\$ 15,970,674</u>	<u>\$ 56,583,024</u>

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Contract assets:			
Contract assets – construction contracts	\$ 25,457	\$ 29,094	\$ 24,468
Contract liabilities:			
Contract liabilities – sales of goods	\$ 1,415,396	\$ 1,367,624	\$ 1,291,379
Contract liabilities -customer loyalty programs	2,945	3,627	5,539
	<u>\$ 1,418,341</u>	<u>\$ 1,371,251</u>	<u>\$ 1,296,918</u>

For the three months ended March 31, 2022 and 2021, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$736,321 and \$735,290, respectively.

(29) Interest income

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Installment revenue	\$ 2,959,962	\$ 2,242,657
Finance leasing revenue	668,130	558,389
Interest from deposits and short-term notes	48,776	40,191
Other interest income	3,033	15,634
	<u>\$ 3,679,901</u>	<u>\$ 2,856,871</u>

(30) Premium

Details of premium are as follows:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Written premium	\$ 3,024,368	\$ 2,714,469
Reinsurance premium	199,620	101,299
Less: Reinsurance expense	(764,520)	(692,600)
Net change in unearned premiums reserve	<u>(234,115)</u>	<u>(119,159)</u>
	<u>\$ 2,225,353</u>	<u>\$ 2,004,009</u>

(31) Expenses by nature

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 2,539,278	\$ 2,576,827
Depreciation	2,812,077	2,560,182
Amortization	29,907	24,159
	<u>\$ 5,381,262</u>	<u>\$ 5,161,168</u>

(32) Employee benefit expense

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 2,174,512	\$ 2,217,618
Labor and health insurance fees	172,615	160,920
Pension costs	85,612	77,649
Other personnel expenses	<u>106,539</u>	<u>120,640</u>
	<u>\$ 2,539,278</u>	<u>\$ 2,576,827</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 three months ended March 31, 2022 and 2021, employees' remuneration were accrued at \$50,721 and \$59,623, respectively; while directors' remuneration were accrued at \$101,441 and \$119,246, 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 three months ended March 31, 2022. 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 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 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:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax expense recognized in the current period	\$ 1,296,804	\$ 1,361,649
Prior year income tax (overestimation) underestimation	<u>-</u>	<u>1,234</u>
Total current tax	<u>1,296,804</u>	<u>1,362,883</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>76,736</u>	<u>141,955</u>
Total deferred tax	<u>76,736</u>	<u>141,955</u>
Income tax expense	<u>\$ 1,373,540</u>	<u>\$ 1,504,838</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash flow hedges	\$ <u>7,791</u>	(\$ <u>4,452</u>)
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ <u>6,206</u>)	(\$ <u>5,094</u>)
Changes in fair value of financial assets designated using overlay approach	\$ <u>4,203</u>	\$ <u>1,040</u>

B. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(34) Earnings per share

	<u>Three months ended March 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ <u>4,293,291</u>	<u>546,179</u>	\$ <u>7.86</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 4,293,291	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	<u>391</u>	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ <u>4,293,291</u>	<u>546,570</u>	\$ <u>7.85</u>

	<u>Three months ended March 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ <u>5,003,846</u>	<u>546,179</u>	\$ <u>9.16</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 5,003,846	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	<u>374</u>	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ <u>5,003,846</u>	<u>546,553</u>	\$ <u>9.16</u>

(35) Transactions with non-controlling interest

A. 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. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

(a) On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at a consideration of \$337,983 (net of transfer tax) and the Company's share ownership of Hotai Connected Co., Ltd. decreased to 70%. The difference between the consideration received and the carrying amount resulted in a decrease in the non-controlling interest by \$120,102 and an increase in the equity attributable to owners of the parent by \$119,102.

(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.

(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, 2022	\$ 66,766,240	\$ 104,861,342	\$ 13,579,045	\$ 4,736,583	\$15,495,163	\$2,125,133	\$ 7,159	\$ 207,570,665
Changes in cash flow from financing activities	3,699,839	2,330,552	3,000,000	(179,643)	442,567	(105,791)	-	9,187,524
Impact of changes in foreign exchange rate	35,730	-	4,503	-	-	35,675	-	75,908
Changes in other non-cash items	(157,026)	-	(75,184)	75,185	-	46,134	10,923,583	10,812,692
March 31, 2022	\$ 70,344,783	\$ 107,191,894	\$ 16,508,364	\$ 4,632,125	\$15,937,730	\$2,101,151	\$10,930,742	\$ 227,646,789

	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	1,625,868	5,338,484	-	(159,035)	445,731	(109,516)	-	7,141,532
Impact of changes in foreign exchange rate	2,251	-	843	-	-	(3,247)	-	(153)
Changes in other non-cash items	1,112	-	(450,436)	450,436	-	192,202	9,285,036	9,478,350
March 31, 2021	\$ 49,921,741	\$ 89,360,359	\$ 11,799,937	\$ 3,427,566	\$14,092,089	\$1,847,140	\$ 9,292,248	\$ 179,741,080

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

Names of related parties	Relationship with the Group
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
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

Names of related parties	Relationship with the Group
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
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
Guangquan Machinery Co., Ltd.	Associates
Kao Jin Co., Ltd.	Associates
Tau Jin Enterprise Co., Ltd.	Associates
Nantian Technology Co., Ltd.	Associates
He Ru Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd.	Associates
Shye Shing Enterprise Co., Ltd.	Associates
Zhonghao Automobile Co., Ltd.	Associates
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(a) Sales revenue:		
-Associates		
Central Motor	\$ 6,917,481	\$ 8,200,061
Tau Miao	6,385,161	7,537,573
Taipei Motor	4,591,129	5,890,081
Others	14,483,625	17,955,097
-Entities controlled by key management	<u>28,933</u>	<u>35,162</u>
	<u>\$ 32,406,329</u>	<u>\$ 39,617,974</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.

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(b) Rental revenue:		
-Associates	\$ 34,225	\$ 33,813
-Entities controlled by key management	<u>2,578</u>	<u>2,431</u>
	<u>\$ 36,803</u>	<u>\$ 36,244</u>

The Company and subsidiaries entered into rental contracts based on normal conditions with related parties and collect rents monthly based on the contracts.

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(c) Service revenue:		
Service sales:		
-Associates	\$ 13,421	\$ 10,953
-Entities controlled by key management	8,927	5,600
Contracted operating revenue:		
-Associates	<u>6,185</u>	<u>7,459</u>
	<u>\$ 28,533</u>	<u>\$ 24,012</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(d) Subsidy income for price difference from installments:		
-Associates	<u>\$ 79,063</u>	<u>\$ 60,682</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(e) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 27,910	\$ 36,808
-Entities controlled by key management		
TMAP	<u>64,223</u>	<u>69,743</u>
	<u>\$ 92,133</u>	<u>\$ 106,551</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuoto	\$ 59,627	\$ 70,482
Others	27,365	32,163
-Entities controlled by key management		
TMC	13,062	31,046
Others	190	-
	<u>\$ 100,244</u>	<u>\$ 133,691</u>

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(g) Miscellaneous income:		
-Associates		
Kuoto	\$ 32,564	\$ 38,202
Others	35,989	34,928
-Entities controlled by key management	<u>25,030</u>	<u>21,587</u>
	<u>\$ 93,583</u>	<u>\$ 94,717</u>

B. Expenditures

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 14,682,957	\$ 18,081,594
Others	629,346	653,309
-Entities controlled by key management		
TMC	9,136,235	11,066,067
Others	<u>4,789,286</u>	<u>5,528,621</u>
	<u>\$ 29,237,824</u>	<u>\$ 35,329,591</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.

		<u>Three months ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
(b) Warranty cost:			
-Associates			
Kuotu	\$	21,925	\$ 18,717
Central Motor		19,305	15,866
Tau Miao		18,800	12,044
Nan Du		14,056	10,056
Kau Du		12,920	10,943
Taipei Motor		12,285	9,741
Others		2,698	12,148
-Entities controlled by key management		<u>493</u>	<u>800</u>
	\$	<u>102,482</u>	\$ <u>90,315</u>
		<u>Three months ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
(c) Freight:			
-Associates			
Fan Tai	\$	44,496	\$ 49,618
Yi Tai		36,635	36,666
Others		<u>644</u>	<u>1,214</u>
	\$	<u>81,775</u>	\$ <u>87,498</u>
		<u>Three months ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
(d) Commission expense:			
-Entities controlled by key management			
Ho An	\$	<u>264,620</u>	\$ <u>258,065</u>
		<u>Three months ended March 31,</u>	
		<u>2022</u>	<u>2021</u>
(e) Others:			
-Associates			
Kuotu	\$	1,785,866	\$ 2,035,891
Kau Du		1,355,482	1,640,912
Taipei Motor		1,018,324	1,194,654
Central Motor		612,444	1,919,348
Tau Miao		443,396	1,690,885
Nan Du		-	1,234,067
Others		<u>-</u>	<u>125,720</u>
	\$	<u>5,215,512</u>	\$ <u>9,841,477</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.

Starting from 2022, part of the installment business is carried out in cooperation with related parties by signing a debt assignment agreement with consumers, so it is not listed in the above table.

C. Receivables from (payables to) related parties

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
(a) Receivables from related parties:			
-Associates	\$ 2,847,693	\$ 2,022,437	\$ 2,590,637
-Entities controlled by key management	<u>22,163</u>	<u>21,414</u>	<u>10,943</u>
	<u>\$ 2,869,856</u>	<u>\$ 2,043,851</u>	<u>\$ 2,601,580</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
(b) Other receivables from related parties:			
-Associates	\$ 161,862	\$ 160,644	\$ 173,464
-Entities controlled by key management	<u>6,247</u>	<u>6,722</u>	<u>7,564</u>
	<u>\$ 168,109</u>	<u>\$ 166,766</u>	<u>\$ 181,028</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
(c) Accounts payable:			
-Associates	\$ 1,296,156	\$ 1,228,040	\$ 1,570,872
-Entities controlled by key management	<u>3,617,290</u>	<u>3,565,396</u>	<u>5,267,867</u>
	<u>\$ 4,913,446</u>	<u>\$ 4,793,436</u>	<u>\$ 6,838,739</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
(d) Accrued expenses and other payables:			
-Associates	\$ 253,777	\$ 221,742	\$ 228,882
-Entities controlled by key management	<u>63</u>	<u>1,336</u>	<u>1,067</u>
	<u>\$ 253,840</u>	<u>\$ 223,078</u>	<u>\$ 229,949</u>
	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	<u>\$ 88,991</u>	<u>\$ 93,342</u>	<u>\$ 72,670</u>

D. Prepayments to suppliers

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Entities controlled by key management	\$ <u>336,151</u>	\$ <u>296,912</u>	\$ <u>336,342</u>

E. Property transactions

Acquisition of rental assets and equipment

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
-Associates		
Kuotu	\$ 893,188	\$ 731,077
Central Motor	398,855	298,392
Taipei Motor	542,970	302,045
Tau Miao	300,269	230,220
Others	370,806	371,013
-Entities controlled by key management	<u>1,898</u>	<u>6,070</u>
	<u>\$ 2,507,986</u>	<u>\$ 1,938,817</u>

F. Leasing arrangements – lessee

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
- Entities controlled by key management			
Ho Yu	\$ 95,056	\$ 83,197	\$ 79,754
- Associates			
Kuozui	11,659	13,099	-
Others	<u>3,915</u>	<u>4,669</u>	<u>2,172</u>
	<u>\$ 110,630</u>	<u>\$ 100,965</u>	<u>\$ 81,926</u>

G. Loans to related parties:

Loans to related parties

Outstanding balance:

	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
-Associates			
Chongqing Taikang Heling	\$ 135,279	\$ 130,281	\$ -
Beijing Heling	67,639	86,854	130,591
Tianjin Binhai Heling	90,186	43,427	43,530
Others	<u>-</u>	<u>21,714</u>	<u>-</u>
	<u>\$ 293,104</u>	<u>\$ 282,276</u>	<u>\$ 174,121</u>

(3) Key management remuneration

	Three months ended March 31,	
	2022	2021
Salaries and other short-term employee benefits	<u>\$ 134,553</u>	<u>\$ 157,944</u>

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>	<u>Purpose</u>
Notes and accounts receivable	\$ 4,179,081	\$ 5,349,850	\$ 3,900,409	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 1)	300,300	300,300	300,300	Operation bonds
Restricted assets (Note 2)				
-Demand and time deposits	518,829	510,548	953,913	Short-term borrowings, performance guarantee and issuance of L/C (Note 3)
-Land	<u>543,133</u>	<u>543,133</u>	<u>543,133</u>	Long-term borrowings
	<u>\$ 5,541,343</u>	<u>\$ 6,703,831</u>	<u>\$ 5,697,755</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 March 31, 2022, December 31, 2021 and March 31, 2021, the certificates of deposit amounting to \$10,245, \$9,913 and \$10,187, respectively, were pledged to the 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

(1) As of March 31, 2022, the Company's subsidiary, Hotai Insurance Co., Ltd. has entered into construction contracts and the unpaid construction amount is \$595,804

(2) Significant contracts signed by the Group with related parties and non-related parties as of March 31, 2022 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2022 to December 31, 2024	Sales of imported or domestic models, parts and accessories of Toyota 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 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, 2022 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
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) On May 5, 2022, the items resolved by the Board of Directors of the Company's subsidiary, Hotai Finance Co., Ltd. are as follows:

- A. The amount of the bank syndicated loan is expected to range between \$10 million and \$15 million.
- B. The amount of the overseas syndicated loan is expected to range between JPY 20 billion and JPY 30 billion.
- C. The amount of the overseas borrowing is expected to be USD 0.11 billion.
- D. The amount of the issuance of unsecured and secured corporate bonds is expected to be \$16.5 million.

(2) On May 5, 2022, the Board of Directors of the subsidiary, Hoyun International Lease Co., Ltd., has approved the bank syndicated loan. The amount is expected to range between RMB 0.8 billion and RMB 1 billion.

(3) On April 29, 2022, the subsidiary, Ho Tai Development Co., Ltd., purchased the land in Shalun Industrial Park, Taoyuan City, the total transaction amount was \$1,018,235.

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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</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	\$ 9,211,417	\$ 8,794,920	\$ 8,114,763
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	9,723,971	9,299,511	8,223,468
Qualifying equity instrument	1,607,687	1,615,489	1,636,674
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	29,862,932	25,813,580	21,575,740
Notes receivable	11,191,126	10,731,037	9,565,745
Accounts receivable	190,214,981	179,803,972	151,166,669
Long-term notes and accounts receivable	4,580,797	4,082,783	2,716,367
Other receivables	1,614,089	1,492,994	1,516,355
Guarantee deposits paid	799,061	817,143	738,769
Other financial assets	<u>2,988,228</u>	<u>2,938,704</u>	<u>2,709,072</u>
	<u>\$ 261,794,289</u>	<u>\$ 245,390,133</u>	<u>\$ 207,963,622</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 11,656	\$ 27,780	\$ 6,429
Financial liabilities at amortized cost			
Short-term loans	70,344,783	66,766,240	49,921,741
Short-term notes and bills payable	107,191,894	104,861,342	89,360,359
Notes payable	771,484	783,316	754,127
Accounts payable	9,437,793	8,794,001	10,646,011
Accrued expenses	6,246,176	6,957,640	5,597,244
Other payables	12,582,226	1,407,173	10,562,785
Commission payable	526,083	545,799	420,632
Corporate bonds payable (including current portion)	15,200,000	12,200,000	9,400,000
Long-term borrowings (including current portion)	5,940,489	6,115,628	5,827,503
Guarantee deposits received	15,937,730	15,495,163	14,092,089
Other financial liabilities	<u>49,316</u>	<u>53,707</u>	<u>63,406</u>
	<u>\$ 244,239,630</u>	<u>\$ 224,007,789</u>	<u>\$ 196,652,326</u>
Lease liabilities	<u>\$ 2,101,151</u>	<u>\$ 2,125,133</u>	<u>\$ 1,847,140</u>
Financial liabilities for hedging	<u>\$ 707,700</u>	<u>\$ 578,276</u>	<u>\$ 385,735</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:

	March 31, 2022			December 31, 2021				
	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	76,511	28.6250	\$ 2,190,127	USD	86,187	27.6800	\$ 2,385,656
JPY:NTD	JPY	716,512	0.2353	168,595	JPY	695,429	0.2405	167,251
RMB:NTD	CNY	919	4.5093	4,144	CNY	9,711	4.3427	42,172
USD:RMB	USD	-	6.3480	-	USD	76	6.3739	2,104
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	187,010	28.6250	\$ 5,353,161	USD	246,681	27.6800	\$ 6,828,130
JPY:NTD	JPY	129,088	0.2353	30,374	JPY	176,564	0.2405	42,464
RMB:NTD	CNY	6,519	4.5093	29,396	CNY	15,181	4.3427	65,927
USD:RMB	USD	4,800	6.3480	137,400	USD	4,800	6.3739	132,864

	March 31, 2021			
	Foreign currency amount	Exchange rate	Book value	
	(In thousands)			
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	56,504	28.5350	\$ 1,612,342
JPY:NTD	JPY	742,473	0.2577	191,335
RMB:NTD	CNY	5,495	4.3530	23,920
USD:RMB	USD	37,800	6.5552	1,078,623
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	181,220	28.5350	\$ 5,171,113
JPY:NTD	JPY	103,861	0.2577	26,765
RMB:NTD	CNY	8,804	4.3530	38,324
USD:RMB	USD	37,806	6.5552	1,078,794

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 (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2022 and 2021, amounted to (\$81,136) and \$104,391, 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:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	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%	\$ 21,901	\$ -	1%	\$ 16,123	\$ -
JPY:NTD	1%	1,686	-	1%	1,913	-
RMB:NTD	1%	41	-	1%	239	-
USD:RMB (Note)	1%	-	-	1%	10,786	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	53,532	-	1%	51,711	-
JPY:NTD	1%	304	-	1%	268	-
RMB:NTD	1%	294	-	1%	383	-
USD:RMB (Note)	1%	1,374	-	1%	10,788	-

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 three months ended March 31, 2022 and 2021 would have increased/decreased by \$11,637 and \$25,902, 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 March 31, 2022, December 31, 2021 and March 31, 2021, HFC has financial instruments with off-balance-sheet credit risk amounting to \$4,866,389, \$5,211,354 and \$6,411,266, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$86,293, \$90,436 and \$143,614, 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 \$46,138.

- 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 March 31, 2022, December 31, 2021 and March 31, 2021, the provision matrix is as follows:

March 31, 2022	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 219,365,846	\$ 727,686	\$ 237,032	\$ 195,700	\$ 147,706	\$ 494,910	\$ 221,168,880
Loss allowance	\$ 2,737,626	\$ 366,330	\$ 180,438	\$ 159,203	\$ 133,939	\$ 486,910	\$ 4,064,446

December 31, 2021	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
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

March 31, 2021	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 172,482,491	\$ 513,985	\$ 238,756	\$ 162,059	\$ 131,415	\$ 471,754	\$ 174,000,460
Loss allowance	\$ 2,300,561	\$ 237,004	\$ 181,237	\$ 132,729	\$ 121,113	\$ 430,114	\$ 3,402,758

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of March 31, 2022, December 31, 2021 and March 31, 2021 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):

	2022	2021
	Receivables	Receivables
At January 1	\$ 3,782,588	\$ 3,414,181
Provision for impairment	581,144	450,050
Write-offs	(296,346)	(339,202)
Others	64,988	(5,235)
At March 31	<u>\$ 4,132,374</u>	<u>\$ 3,519,794</u>

Note : Including all the Group's consolidated entities.

For the three months ended March 31, 2022 and 2021, gain on recoverable bad debts amounted to \$159,526 and \$156,863, 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 March 31, 2022, December 31, 2021 and March 31, 2021, the Group's unused credit line amounted to \$84,884,441, \$86,372,762 and \$78,058,076, 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:

March 31, 2022

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 59,568,849	\$ 2,200,562	\$ 9,003,013
Short-term notes and bills payable	87,111,270	19,580,988	499,636
Notes payable	771,484	-	-
Accounts payable	9,437,793	-	-
Accrued expenses	6,246,176	-	-
Other payables	12,582,226	-	-
Commission payable	526,083	-	-
Lease liabilities	451,591	386,832	1,474,541
Bonds payable	104,000	104,000	15,336,331
Long-term loans (including current portion)	1,310,000	2,600,000	2,037,404

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:

March 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 45,783,243	\$ 2,694,915	\$ 1,443,583
Short-term notes and bills payable	74,573,563	11,290,653	3,496,143
Notes payable	754,127	-	-
Accounts payable	10,646,011	-	-
Accrued expenses	5,597,244	-	-
Other payables	10,562,785	-	-
Commission payable	420,632	-	-
Lease liabilities	353,240	293,030	1,368,825
Bonds payable	2,453,656	49,000	7,101,088
Long-term loans (including current portion)	2,403,120	1,630,000	1,802,500

Derivative financial liabilities:

March 31, 2022

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ 172,488	\$ 535,212
Forward exchange contracts	11,656	-	-

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:

March 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 287,952	\$ -	\$ 97,783
Forward exchange contracts	6,429	-	-

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>March 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,670,186	\$ -	\$ 474,849	\$ 3,145,035
Forward exchange contracts	-	256,238	-	256,238
Foreign exchange swap contracts	-	288	-	288
Bond investment	-	1,035,718	-	1,035,718
Equity securities	1,919,519	-	-	1,919,519
Exchange traded funds	1,702,765	-	-	1,702,765
Financial instruments	-	1,151,854	-	1,151,854
Derivate financial assets for hedging	-	2,719	-	2,719
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,907,987	-	1,907,987
Equity securities	<u>9,345,122</u>	<u>-</u>	<u>378,849</u>	<u>9,723,971</u>
Liabilities	<u>\$ 15,637,592</u>	<u>\$ 4,354,804</u>	<u>\$ 853,698</u>	<u>\$ 20,846,094</u>
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 11,656	\$ -	\$ 11,656
Derivative financial liabilities for hedging	<u>-</u>	<u>707,700</u>	<u>-</u>	<u>707,700</u>
	<u>\$ -</u>	<u>\$ 719,356</u>	<u>\$ -</u>	<u>\$ 719,356</u>

Note: Including operation bonds.

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<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>
<u>Liabilities</u>				
<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>March 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,975,586	\$ -	\$ 394,875	\$ 3,370,461
Forward exchange contracts	-	219,113	-	219,113
Foreign exchange swap contracts	-	773	-	773
Bond investment	-	1,051,390	-	1,051,390
Equity securities	1,028,753	-	-	1,028,753
Exchange traded funds	1,594,290	-	-	1,594,290
Financial instruments	-	849,983	-	849,983
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,936,974	-	1,936,974
Equity securities	<u>7,852,773</u>	<u>-</u>	<u>370,695</u>	<u>8,223,468</u>
	<u>\$ 13,451,402</u>	<u>\$ 4,058,233</u>	<u>\$ 765,570</u>	<u>\$ 18,275,205</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 1,083	\$ -	\$ 1,083
Foreign exchange swap contracts	-	5,346	-	5,346
Derivative financial liabilities for hedging	-	<u>385,735</u>	-	<u>385,735</u>
	<u>\$ -</u>	<u>\$ 392,164</u>	<u>\$ -</u>	<u>\$ 392,164</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.

F. The following chart is the movement of Level 3 for the three months ended March 31, 2022 and 2021:

	<u>2022</u>	<u>2022</u>
	Beneficiary certificates	Equity securities
At January 1	\$ 437,495	\$ 366,770
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	12,079
Recorded as gains on financial assets at fair value through profit or loss	21,017	-
Acquired during the period	<u>16,337</u>	<u>-</u>
At March 31	<u>\$ 474,849</u>	<u>\$ 378,849</u>
	<u>2021</u>	<u>2021</u>
	Beneficiary certificates	Equity securities
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	-	24,547
Recorded as gains on financial assets at fair value through profit or loss	5,199	-
Acquired during the period	<u>6,133</u>	<u>-</u>
At March 31	<u>\$ 394,875</u>	<u>\$ 370,695</u>

F. For the three months ended March 31, 2022 and 2021, 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:

	<u>Fair value at March 31, 2022</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	\$ 378,849	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	474,849	Net assets value	Not applicable	Not applicable	Not applicable

	<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	\$ 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

	<u>Fair value at March 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	\$ 370,695	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	394,875	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 March 31, 2022, December 31, 2021 and March 31, 2021.

(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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Fire insurance	\$ 50,000	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000	50,000
Long-term residential fire insurance	50,000	50,000	50,000
Residential fire insurance	50,000	50,000	50,000
Marine cargo insurance	20,000	20,000	20,000
Inland marine insurance	20,000	20,000	20,000
Automobile insurance	Nil	Nil	Nil
General liability insurance	50,000	50,000	50,000
Engineering insurance	50,000	50,000	50,000
Fidelity insurance	60,000	60,000	60,000
Other property insurance	50,000	50,000	50,000
Personal accident insurance	50,000	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 March 31, 2022, December 31, 2021 and March 31, 2021, 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:

	March 31, 2022		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>
	<u>Not past due or not over 30 days</u>	<u>Over 30 days</u>	<u>Over 90 days</u>
Expected loss rate	0%	0%	0%
Total book value	\$ 1,166,954	\$ -	\$ 160
Loss allowance	9,000	-	160

	December 31, 2021		
	Significant		
	12 months	increase in credit 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	\$ 1,019,368	\$ -	\$ 160
Loss allowance	9,000	-	160

	March 31, 2021		
	Significant		
	12 months	increase in credit 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	\$ 1,007,703	\$ -	\$ 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 three months ended March 31, 2022 and 2021, the movement of allowance for loss are as follows:

	2022				
	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	
				Total	Total
At January 1	\$ -	\$ -	\$ 160	\$ 26,115	\$ 26,275
Provisions during the period	-	-	-	4,663	4,663
At March 31	\$ -	\$ -	\$ 160	\$ 30,778	\$ 30,938

	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	
				Total	Total
At January 1	\$ -	\$ -	\$ 160	\$ 12,712	\$ 12,872
Provisions during the period	-	-	-	(502)	(502)
At March 31	\$ -	\$ -	\$ 160	\$ 12,210	\$ 12,370

As of March 31, 2022, December 31, 2021 and March 31, 2021, the allowance for loss of abovementioned financial assets was \$30,908, \$26,275 and \$12,370, respectively, and the maximum exposure to credit risk was \$1,136,206, \$993,253 and \$995,493, respectively.

(f) As of March 31, 2022, December 31, 2021 and March 31, 2021, 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 \$3,659,200, \$3,639,966 and \$3,538,760, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
tw AAA	\$ 866,471	\$ 877,651	\$ 881,679
tw AA+	395,407	433,262	440,901
tw AA	484,093	495,366	407,900
tw AA-	964,890	922,900	851,889
tw A+	333,269	336,112	397,617
tw A	496,813	470,990	472,139
tw A-	<u>118,257</u>	<u>103,685</u>	<u>86,635</u>
	<u>\$ 3,659,200</u>	<u>\$ 3,639,966</u>	<u>\$ 3,538,760</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.07%, 0%~0.07% and 0%~0.07%, respectively, the amounts of allowance for loss were \$619, \$592 and \$592 respectively, and the maximum exposure amounts were \$3,658,581, \$3,639,374 and \$3,538,168, 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 three months ended March 31, 2022 and 2021, the movements of allowance for loss are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 592	\$ 581
Provisions (amounts reversed) during the period	<u>27</u>	<u>11</u>
At March 31	<u>\$ 619</u>	<u>\$ 592</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 three months ended March 31, 2022 and 2021, 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):

Three months ended March 31, 2022

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 222,841	32.18
AA-	20,165	2.91
A+	261,827	37.80
A	31,277	4.52
A-	2,844	0.41
BBB+	15,423	2.23
Unrated	138,185	19.95
Total	\$ 692,562	100.00

Three months ended March 31, 2021

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 228,640	36.40
AA-	16,892	2.69
A+	234,841	37.39
A	26,942	4.29
A-	6,999	1.12
BBB+	1,366	0.22
Unrated	112,385	17.89
Total	\$ 628,065	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>March 31, 2022</u>				
Insurance liabilities	\$ 9,410,136	\$ 2,457,962	\$ 192,086	\$ 1,945,962
Payables	1,563,488	-	-	-
Deposits-in	2,642	1,758	-	-
Lease liabilities	54,486	53,899	-	-

	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	\$ 8,902,416	\$ 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>March 31, 2021</u>				
Insurance liabilities	\$ 7,785,704	\$ 1,959,997	\$ 183,748	\$ 1,908,166
Payables	1,248,738	-	-	-
Deposits-in	684	3,698	-	-
Lease liabilities	55,590	55,429	-	-

ii. Derivatives

On March 31, 2022, 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 centralized in any specific industry or issuance institution.

With other conditions unchanged, the reasonable sensitivity analysis on stock price change is shown below:

	March 31, 2022		
	Change of variables		Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 487,131
	Decrease in price	10%	(487,131)
	March 31, 2021		
	Change of variables		Change in other comprehensive Income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 422,517
	Decrease in price	10%	(422,517)

(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:

	March 31, 2022		
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 83,204)
	Decrease in interest rate	100 basis point	83,204

	March 31, 2021		Change in fair value
	Change of variables		
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 99,936)
	Decrease in interest rate	100 basis point	99,936

(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:

	March 31, 2022	December 31, 2021	March 31, 2021
Foreign exchange rate	28.58	27.66	28.51

The US dollar assets and liabilities are shown as below:

	March 31, 2022	December 31, 2021	March 31, 2021
USD Assets	USD 51,813 thousand	USD 48,984 thousand	USD 49,413 thousand
USD Liabilities	USD 1,054 thousand	USD 890 thousand	USD 1,124 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:

	March 31, 2022	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	(\$ 38,318)
	Depreciate 5% against NTD	38,318
	March 31, 2021	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD	(\$ 32,354)
	Depreciate 5% against NTD	32,354

(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 three months ended March 31, 2022 and 2021, 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>Three months ended March 31, 2022</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 596,234	\$ 253,657
Engineering insurance	42,562	12,920

<u>Line of Business</u>	<u>Three months ended March 31, 2021</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 452,916	\$ 128,895
Engineering insurance	28,228	8,057

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 three months ended March 31, 2022 and 2021 and the result is shown below:

Three months ended March 31, 2022

<u>Line of Business</u>	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	\$ 52,152	\$ 44,956	\$ 52,152	\$ 44,956
Automobile third party liability insurance	27,217	24,151	27,217	24,151
Personal property insurance	923	767	923	767
Commercial property insurance	16,594	7,191	16,594	7,191
Liability insurance	14,290	11,067	14,290	11,067
Marine cargo insurance	3,184	2,278	3,184	2,278
Engineering insurance	2,179	589	2,179	589
Personal accident insurance	13,341	12,952	13,341	12,952
Health insurance	3,663	3,565	3,663	3,565
Foreign inward reinsurance	259	129	259	129

Three months ended March 31, 2021

<u>Line of Business</u>	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	\$ 49,406	\$ 42,714	\$ 49,406	\$ 42,714
Automobile third party liability insurance	23,379	20,827	23,379	20,827
Personal property insurance	1,105	845	1,105	845
Commercial property insurance	15,032	6,621	15,032	6,621
Liability insurance	11,306	8,465	11,306	8,465
Marine cargo insurance	2,699	2,019	2,699	2,019
Engineering insurance	1,757	499	1,757	499
Personal accident insurance	12,927	12,526	12,927	12,526
Health insurance	1,839	1,625	1,839	1,625
Foreign inward reinsurance	63	59	63	59

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 three months ended March 31, 2022 and 2021.

C. Loss development pattern

As of March 31, 2022, December 31, 2021 and March 31, 2021, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows :

(a) Direct business

Unit: NTD

March 31, 2022	Accident Year					Total
	≤2018	2019	2020	2021	Three months ended March 31, 2022	
<u>Development Year</u>						
End of underwriting year	\$27,880,901	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	\$ 1,474,086	
One year after underwriting year	27,532,055	3,730,672	4,765,156	5,807,463	-	
Two years after underwriting year	27,247,411	3,690,308	4,773,700	-	-	
Three years after underwriting year	27,111,389	3,687,411	-	-	-	
Four years after underwriting year	27,082,810	-	-	-	-	
Estimated ultimate losses	27,082,810	3,687,411	4,773,700	5,807,463	1,474,086	
Paid losses	(26,330,781)	(3,158,522)	(3,982,669)	(3,866,745)	(376,397)	
Total reserve	<u>\$ 752,029</u>	<u>\$ 528,889</u>	<u>\$ 791,031</u>	<u>\$ 1,940,718</u>	<u>\$ 1,097,689</u>	\$ 5,110,356
Adjustment item (Note)						431,249
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 5,541,605</u>

December 31, 2021	Accident Year					Total
	≤2017	2018	2019	2020	2021	
<u>Development Year</u>						
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>

March 31, 2021	Accident Year					Total
	≤2017	2018	2019	2020	Three months ended March 31, 2021	
<u>Development Year</u>						
End of underwriting year	\$25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 1,460,380	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,746,610	-	
Two years after underwriting year	24,968,656	2,510,423	3,710,407	-	-	
Three years after underwriting year	24,736,988	2,497,863	-	-	-	
Four years after underwriting year	24,709,119	-	-	-	-	
Estimated ultimate losses	24,709,119	2,497,863	3,710,407	4,746,610	1,460,380	
Paid losses	(24,135,132)	(2,195,217)	(3,147,020)	(3,554,572)	(304,258)	
Total reserve	<u>\$ 573,987</u>	<u>\$ 302,646</u>	<u>\$ 563,387</u>	<u>\$ 1,192,038</u>	<u>\$ 1,156,122</u>	\$ 3,788,180
Adjustment item (Note)						387,607
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 4,175,787</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

<u>March 31, 2022</u>	<u>Accident Year</u>					<u>Three months ended</u> <u>March 31, 2022</u>	<u>Total</u>
	<u>≤2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>		
<u>Development Year</u>							
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 1,205,102		
One year after underwriting year	18,702,131	3,224,195	4,130,722	4,554,844	-		
Two years after underwriting year	18,465,817	3,193,907	4,134,835	-	-		
Three years after underwriting year	18,413,564	3,184,991	-	-	-		
Four years after underwriting year	18,391,370	-	-	-	-		
Estimated ultimate losses	18,391,370	3,184,991	4,134,835	4,554,844	1,205,102		
Paid losses	(17,895,487)	(2,821,737)	(3,551,471)	(3,394,996)	(333,459)		
Total reserve	<u>\$ 495,883</u>	<u>\$ 363,254</u>	<u>\$ 583,364</u>	<u>\$ 1,159,848</u>	<u>\$ 871,643</u>		\$3,473,992
Adjustment item (Note)							<u>290,597</u>
							<u>\$ 3,764,589</u>
<u>December 31, 2021</u>	<u>Accident Year</u>						
<u>Development Year</u>	<u>≤2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>		<u>Total</u>
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)							<u>299,102</u>
							<u>\$ 3,647,724</u>
<u>March 31, 2021</u>	<u>Accident Year</u>						
<u>Development Year</u>	<u>≤2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Three months ended</u> <u>March 31, 2021</u>		<u>Total</u>
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 1,145,594		
One year after underwriting year	6,596,248	2,293,058	3,224,195	4,101,177	-		
Two years after underwriting year	16,409,073	2,237,166	3,213,623	-	-		
Three years after underwriting year	16,228,651	2,234,385	-	-	-		
Four years after underwriting year	16,207,776	-	-	-	-		
Estimated ultimate losses	16,207,776	2,234,385	3,213,623	4,101,177	1,145,594		
Paid losses	(15,850,436)	(1,998,208)	(2,808,741)	(3,173,533)	(267,635)		
Total reserve	<u>\$ 357,340</u>	<u>\$ 236,177</u>	<u>\$ 404,882</u>	<u>\$ 927,644</u>	<u>\$ 877,959</u>		\$ 2,804,002
Adjustment item (Note)							<u>256,536</u>
							<u>\$ 3,060,538</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.'s 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>March 31, 2022</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 5,312,768	\$ 5,312,768	\$ -
Receivables	1,058,718	1,058,718	-
Financial assets at fair value through profit or loss	5,407,316	4,871,598	535,718
Financial assets at fair value through other comprehensive income	1,607,687	413,783	1,193,904
Other financial assets	1,713,629	1,635,179	78,450
Right-of-use assets	103,798	-	103,798
Investment property	574,646	-	574,646
Reinsurance contract assets	3,428,623	2,638,972	789,651
Property and equipment	3,194,710	-	3,194,710
Intangible assets	128,531	-	128,531
Other assets	694,527	469,287	225,240
<u>Liabilities</u>			
Payables	\$ 1,563,488	\$ 1,563,488	\$ -
Current income tax liabilities	127,437	127,437	-
Financial liabilities at fair value through profit or loss	11,656	11,656	-
Insurance liabilities	14,006,146	9,410,136	4,596,010
Lease liabilities	104,789	54,486	50,303
Other liabilities	119,967	118,208	1,759

	<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>March 31, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,143,329	\$ 4,143,329	\$ -
Receivables	909,024	909,024	-
Financial assets at fair value through profit or loss	4,777,332	4,225,942	551,390
Financial assets at fair value through other comprehensive income	1,636,674	46,340	1,590,334
Other financial assets	1,623,129	1,568,170	54,959
Right-of-use assets	107,805	-	107,805
Investment property	350,932	-	350,932
Reinsurance contract assets	2,526,490	1,855,096	671,394
Property and equipment	3,011,637	-	3,011,637
Intangible assets	167,283	-	167,283
Other assets	596,102	154,340	441,762
<u>Liabilities</u>			
Payables	\$ 1,248,738	\$ 1,248,738	\$ -
Current income tax liabilities	87,751	87,751	-
Financial liabilities at fair value through profit or loss	5,346	5,346	-
Insurance liabilities	11,837,615	7,785,704	4,051,911
Lease liabilities	109,564	55,590	53,974
Other liabilities	99,145	95,447	3,698

(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.

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:

Three months ended March 31, 2022						
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	\$ 115,050	\$ 42,923	\$ 46,744	\$ 111,229	\$ 4,134	\$ 107,095
Elective insurance	2,952,514	156,697	717,776	2,391,435	229,981	2,161,454
	3,067,564	199,620	764,520	2,502,664	234,115	2,268,549
Discount	(1)	-	-	(1)	-	(1)
	<u>\$ 3,067,563</u>	<u>\$ 199,620</u>	<u>\$ 764,520</u>	<u>\$ 2,502,663</u>	<u>\$ 234,115</u>	<u>\$ 2,268,548</u>

Three months ended March 31, 2021						
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	\$ 98,927	\$ 39,832	\$ 38,931	\$ 99,828	\$ 2,289	\$ 97,539
Elective insurance	2,640,743	61,467	653,669	2,048,541	116,871	1,931,670
	2,739,670	101,299	692,600	2,148,369	119,160	2,029,209
Discount	(1)	-	-	(1)	-	(1)
	<u>\$ 2,739,669</u>	<u>\$ 101,299</u>	<u>\$ 692,600</u>	<u>\$ 2,148,368</u>	<u>\$ 119,160</u>	<u>\$ 2,029,208</u>

(11) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention claim expenditures is shown below:

<u>Three months ended March 31, 2022</u>				
<u>Category of insurance</u>	<u>Claim expenditures (1)</u>	<u>Reinsurance claim expenditures (2)</u>	<u>Reinsurance claims recovery (3)</u>	<u>Retention claim expenditures (4)=(1)+(2)-(3)</u>
Compulsory insurance	\$ 69,551	\$ 36,049	\$40,924	\$ 64,676
Elective insurance	<u>1,186,860</u>	<u>2,230</u>	<u>140,996</u>	<u>1,048,094</u>
	<u>\$ 1,256,411</u>	<u>\$ 38,279</u>	<u>\$ 181,920</u>	<u>\$ 1,112,770</u>

<u>Three months ended March 31, 2021</u>				
<u>Category of insurance</u>	<u>Claim expenditures (1)</u>	<u>Reinsurance claim expenditures (2)</u>	<u>Reinsurance claims recovery (3)</u>	<u>Retention claim expenditures (4)=(1)+(2)-(3)</u>
Compulsory insurance	\$ 71,388	\$ 36,566	\$ 42,597	\$ 65,357
Elective insurance	<u>960,610</u>	<u>653</u>	<u>96,464</u>	<u>864,799</u>
	<u>\$ 1,031,998</u>	<u>\$ 37,219</u>	<u>\$ 139,061</u>	<u>\$ 930,156</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>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Assets			
Cash and cash equivalents	\$ 1,686,492	\$ 1,669,184	\$ 1,625,218
Notes receivable	2,749	5,815	2,055
Premiums receivable	6,542	7,135	6,175
Claims recoverable from reinsurers	12,517	19,416	13,754
Due from reinsurance and ceding companies	27,222	15,742	14,146
Ceded unearned premium reserve	94,750	90,900	83,580
Ceded claim reserve	128,251	141,825	125,313
Temporary payments and suspense accounts	-	63	116
Total assets	<u>\$ 1,958,523</u>	<u>\$ 1,950,080</u>	<u>\$ 1,870,357</u>
Liabilities			
Claims payable	\$ 13,421	\$ 10,490	\$ 11,836
Due to reinsurance and ceding companies	17,445	17,025	15,563
Unearned premium reserve	252,726	244,742	227,190
Claims reserve	332,876	359,828	313,947
Special reserve	1,341,987	1,317,951	1,301,806
Temporary payments and suspense accounts	68	44	15
Total liabilities	<u>\$ 1,958,523</u>	<u>\$ 1,950,080</u>	<u>\$ 1,870,357</u>

As of March 31, 2022, December 31, 2021 and March 31, 2021, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,543,113, \$1,553,013 and \$1,496,613, respectively, shown as other financial assets in the balance sheets.

B.Details of revenues and costs for compulsory automobile liability insurance are as follows:

	<u>Three months ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenues		
Written premiums	\$ 77,905	\$ 64,883
Reinsurance premiums	42,923	39,832
Less: Reinsurance premiums ceded	(46,744)	(38,931)
Net change in unearned premium reserve	(4,134)	(2,289)
Retention earned premiums	69,950	63,495
Interest income	2,488	2,470
	<u>\$ 72,438</u>	<u>\$ 65,965</u>
Operating costs		
Claim expenditures	\$ 69,551	\$ 71,388
Reinsurance claim expenditures	36,049	36,566
Less: Reinsurance claims recovery	(40,924)	(42,597)
Retention claim expenditures	64,676	65,357
Net change in claims reserve	(13,378)	7,456
Net change in special reserve	24,037	(6,848)
	<u>\$ 75,335</u>	<u>\$ 65,965</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

March 31, 2022, December 31, 2021 and March 31, 2021 were 31.09%, 32.28% and 32.18%, 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>March 31, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,726,719	\$ 3,726,719	\$ -
Current financial assets for hedging	2,719	-	2,719
Accounts and notes receivable, net	189,350,592	70,836,100	118,514,492
Other receivables	81,914	81,914	-
Inventories	3,133	3,133	-
Prepayments	6,739,810	4,294,731	2,445,079
Other current financial assets	359,000	359,000	-
<u>Liabilities</u>			
Short-term borrowings	\$63,135,064	\$52,089,177	\$11,045,887
Short-term notes and bills payable	98,364,367	78,283,743	20,080,624
Current financial liabilities for hedging	707,700	-	707,700
Notes payable	699,644	699,644	-
Accounts payable (including related parties)	339,453	339,453	-
Other payables	3,021,717	3,021,717	-
Current income tax liabilities	789,464	789,464	-
Lease liabilities-current	123,515	123,515	-
Bonds payable	15,200,000	-	15,200,000
Financial guarantee liabilities-current	49,317	49,317	-
Guarantee deposits received-current	3,870,319	1,615,093	2,255,226
Other current liabilities, others	70,467	70,467	-
<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>March 31, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 537,122	\$ 537,122	\$ -
Accounts and notes receivable, net	150,835,636	58,655,916	92,179,720
Other receivables	75,621	75,621	-
Inventories	5,352	5,352	-
Prepayments	6,260,777	4,328,930	1,931,847
Other current financial assets	272,088	242,088	30,000
<u>Liabilities</u>			
Short-term borrowings	\$ 43,967,209	\$ 39,828,711	\$ 4,138,498
Short-term notes and bills payable	82,171,497	67,384,702	14,786,795
Current financial liabilities for hedging	385,735	287,952	97,783
Notes payable	671,888	671,888	-
Accounts payable (including related parties)	560,457	560,457	-
Other payables	1,898,117	1,898,117	-
Current income tax liabilities	773,379	773,379	-
Lease liabilities-current	124,733	124,733	-
Bonds payable	9,400,000	2,400,000	7,000,000
Long-term liabilities, current portion	223,120	223,120	-
Financial guarantee liabilities-current	63,406	63,406	-
Guarantee deposits received-current	3,069,044	1,236,350	1,832,694
Other current liabilities, others	32,144	32,114	-

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: None.
- (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 5.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

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

The table below listed the derivative instruments undertaken but not yet expired as of March 31, 2022:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 351,037	2022/4/8~2022/10/7	\$ 256,238	\$ 256,238
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 24,410	2022/4/8~2022/7/14	(11,368)	(11,368)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 33,800,000	2023/8/7~2024/9/9	(695,222)	(695,222)
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 65,000	2024/8/30~2025/1/13	(9,759)	(9,759)

(j) Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 8.

(3) Information on investments in Mainland China

(a) Basic information: Please refer to table 9.

(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 10.

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 March 31, 2022, the Company's self-owned capital ratio was 69%.

- 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:

Three months ended March 31, 2022						
<u>Items</u>	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 32,506,454	\$ 3,403,395	\$ 6,352,565	\$ 18,910,482	-	\$ 61,172,896
Inter-segment revenue (Note)	3,603,219	160,514	286,727	3,466,957	(7,517,417)	-
Total segment revenue	<u>\$ 36,109,673</u>	<u>\$ 3,563,909</u>	<u>\$ 6,639,292</u>	<u>\$ 22,377,439</u>	<u>(\$ 7,517,417)</u>	<u>\$ 61,172,896</u>
Segment income (loss) (Note)	<u>\$ 4,919,892</u>	<u>\$ 1,057,388</u>	<u>\$ 645,602</u>	<u>\$ 4,162,031</u>	<u>(\$ 4,166,148)</u>	<u>\$ 6,618,765</u>
Segment assets	<u>\$ 98,227,107</u>	<u>\$ 188,629,327</u>	<u>\$ 94,882,290</u>	<u>\$ 120,414,188</u>	<u>(\$ 133,857,246)</u>	<u>\$ 368,295,666</u>

Three months ended March 31, 2021						
<u>Items</u>	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 39,934,306	\$ 2,665,901	\$ 5,635,526	\$ 18,589,863	-	\$ 66,825,596
Inter-segment revenue (Note)	3,997,445	141,534	324,325	3,595,460	(8,058,764)	-
Total segment revenue	<u>\$ 43,931,751</u>	<u>\$ 2,807,435</u>	<u>\$ 5,959,851</u>	<u>\$ 22,185,323</u>	<u>(\$ 8,058,764)</u>	<u>\$ 66,825,596</u>
Segment income (loss) (Note)	<u>\$ 5,783,423</u>	<u>\$ 954,531</u>	<u>\$ 561,856</u>	<u>\$ 3,804,352</u>	<u>(\$ 3,775,122)</u>	<u>\$ 7,329,040</u>
Segment assets	<u>\$ 88,966,124</u>	<u>\$ 146,572,943</u>	<u>\$ 59,727,320</u>	<u>\$ 103,712,094</u>	<u>(\$ 92,921,125)</u>	<u>\$ 306,057,356</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.

Ho Tai Motor Co., Ltd.
Loans to others
Three months ended March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the three months 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
					March 31, 2022	Balance at March 31, 2022							Item	Value			
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 541,115	\$ 541,115	\$ 4,058	2.15%	Short-term financing	-	Operations	\$ -	None	-	\$ 1,326,131	\$ 2,652,262	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	270,558	270,558	11,003	2.15%	"	-	"	-	"	-	503,548	1,007,097	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	135,279	135,279	-	2.15%	"	-	"	-	"	-	185,559	371,117	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	383,290	383,290	143,035	2.15%	"	-	"	-	"	-	726,367	1,452,734	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	554,643	554,643	46,671	2.15%	"	-	"	-	"	-	1,014,120	2,028,240	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,117	8,117	-	2.15%	"	-	"	-	"	-	11,028	22,056	"
7	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	5,411	5,411	-	2.15%	"	-	"	-	"	-	13,442	26,885	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	180,372	-	2.15%	"	-	"	-	"	-	302,701	605,402	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	180,372	47,753	2.15%	"	-	"	-	"	-		629,552	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	103,714	103,714	80,356	2.15%	"	-	"	-	"	-	188,135	376,270	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	360,744	360,744	102,087	2.15%	"	-	"	-	"	-	533,232	1,066,465	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	45,093	45,093	-	3.35%	"	-	"	-	"	-	106,646	213,293	Note 4
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	360,744	360,744	199,897	2.15%	"	-	"	-	"	-	532,459	1,064,917	Note 1
13	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	18,037	18,037	135	2.15%	"	-	"	-	"	-	239,430	478,860	"
14	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	180,372	123,825	2.15%	"	-	"	-	"	-	324,236	648,472	"
15	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	63,130	63,130	-	2.15%	"	-	"	-	"	-	114,076	228,153	"
16	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	225,465	225,465	179,560	2.15%	"	-	"	-	"	-	371,348	742,695	"
17	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	315,651	315,651	269,926	2.15%	"	-	"	-	"	-	472,790	945,581	"
18	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	135,279	135,279	9,515	2.15%	"	-	"	-	"	-	269,262	538,524	"
19	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	36,074	36,074	31,565	2.15%	"	-	"	-	"	-	49,837	99,674	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	563,662	563,662	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	225,465	225,465	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	135,279	135,279	115,033	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	293,104	293,104	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	90,186	90,186	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	9,019	9,019	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the three months ended March 31, 2022	Balance at March 31, 2022	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
													Item	Value			
20	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Other receivables	Y	\$ 13,528	\$ 13,528	-	2.85%	Short-term financing	-	Operations	\$ -	None	-	\$ 9,410,417	\$ 18,820,834	Note 2
20	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	225,465	225,465	168,512	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	180,372	180,372	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	45,093	45,093	-	3.35%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	473,476	473,476	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	360,744	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	Y	180,372	180,372	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	135,279	135,279	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	225,465	225,465	21,509	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	360,744	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	225,465	225,465	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	180,372	180,372	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	45,093	45,093	-	2.85%	"	-	"	-	"	-	9,410,417	18,820,834	"
20	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	"	Y	90,186	90,186	41,260	2.85%	"	-	"	-	"	-	1,882,083	3,764,167	Note 3
20	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	766,580	766,580	766,580	3.35%	"	-	"	-	"	-	1,882,083	3,764,167	"
20	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	135,279	135,279	67,639	3.35%	"	-	"	-	"	-	1,882,083	3,764,167	"
20	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	135,279	135,279	135,279	3.35%	"	-	"	-	"	-	1,882,083	3,764,167	"
20	Hotong Motor Investment Co., Ltd.	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	"	Y	90,186	90,186	90,186	3.35%	"	-	"	-	"	-	1,882,083	3,764,167	"
20	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	Y	67,639	67,639	-	3.35%	"	-	"	-	"	-	1,882,083	3,764,167	"
21	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	225,465	225,465	-	4.30%	"	-	"	-	"	-	4,899,633	9,799,266	Note 1
22	Hotai Finance Co., Ltd.	HE JING CO., LTD.	"	Y	2,000,000	2,000,000	-	0.72%	"	-	"	-	"	-	2,374,080	4,748,160	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 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 procedures of loans to others of Hotai Finance Co., Ltd., the limit of total 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
Three months ended March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed			Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2022	Outstanding endorsement/ guarantee amount at March 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor												
1	Hotai Finance Co., Ltd.	HE JING CO., LTD.	Note 2.a	\$ 23,740,798	\$ 6,000,000	\$ 6,000,000	\$ 1,600,000	-	25.27%	\$ 23,740,798	Y	N	Y	Note 1	
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	"	23,740,798	2,254,647	2,254,647	1,508,252	-	9.50%	23,740,798	Y	N	Y	"	
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	23,740,798	368,590	368,590	260,039	-	1.55%	23,740,798	Y	N	Y	"	

Note 1: 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 2: 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)
Three months ended March 31, 2022
(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 March 31, 2022				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	\$ 884,476	0.15%	\$ 884,476	
	- Toyota Motor Corporation	-	"	15,956,000	8,344,258	0.10%	8,344,258	
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	114,068	0.00%~0.42%	114,068	
	Taian Insurance Co., Ltd. Etc.	-	"	-	337,518	0.42%~3.10%	337,518	
	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%	\$ 408,689	
			Valuation adjustment of financial assets		44,252	-	-	
		Total		\$ 908,689	-	\$ 908,689		
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,809	0.50%	\$ 3,809	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	1,912,503	\$ 20,000	-	\$ 20,005	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		5	-	-	
		Total		\$ 20,005	-	\$ 20,005		
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	49,471,383	\$ 506,728	-	\$ 517,486	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		10,758	-	-	
			Total		\$ 517,486	-	\$ 517,486	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,001	0.06%~0.50%	\$ 4,001	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	35,665,722	\$ 370,000	-	\$ 373,074	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		3,074	-	-	
		Total		\$ 373,074	-	\$ 373,074		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,320	-	\$ 2,320	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 4,001	0.06%~0.50%	\$ 4,001	
	President securities Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 248,942	-	\$ 249,406	
			Valuation adjustment of financial assets		464	-	-	
		Total		\$ 249,406	-	\$ 249,406		
Ho Tai Service & Marketing Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	2,527,891	\$ 30,000	-	\$ 30,573	
	- BOT Money Market Fund		Valuation adjustment of financial assets		573	-	-	
			Total		\$ 30,573	-	\$ 30,573	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,809	0.50%	\$ 3,809	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 3,809	0.50%	\$ 3,809	
Hotai Connected Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	16,713,369	\$ 174,602	-	\$ 174,827	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		834	-	-	
	- Mega Diamond Money Market Fund	Not applicable	"	7,974,387	100,545	-	101,154	
		Total		\$ 275,981	-	\$ 275,981		

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of March 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Mobility Service Co., Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	8,647,816	\$ 90,000	-	\$ 90,459	
	- Franklin Templeton Sinoam Money Market Fund							
	- Mega Diamond Money Market Fund	Not applicable	"	3,962,122	50,000	-	50,259	
	- CTBC Hwa-win Money Market Fund	Not applicable	"	6,688,569	74,342	-	74,458	
			Valuation adjustment of financial assets		834	-	-	
			Total		\$ 215,176	-	\$ 215,176	
Hotong Motor Investment Co., Ltd.	Structured deposit - Fubon Bank (China) Co., Ltd.	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 225,465	-	\$ 225,563	
	Structured deposit - Cathay United Bank	Not applicable	"	-	676,394	-	676,887	
			Valuation adjustment of financial assets		591	-	-	
			Total		\$ 902,450	-	\$ 902,450	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU (BVI) Finance Investment Corporation	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 21,903	10.48%	\$ 21,903	
YuCheng Transport Co.,Ltd.	CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,696,193	\$ 30,000	-	\$ 30,014	
			Valuation adjustment of financial assets		14	-	-	
			Total		\$ 30,014	-	\$ 30,014	
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	-	\$ 25,012	
			Valuation adjustment of financial assets		12	-	-	
			Total		\$ 25,012	-	\$ 25,012	

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Ho Tai Motor Co., Ltd.
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Three months ended March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal			Balance as at March 31, 2022		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co., Ltd.	HE JUN ENERGY CO., LTD.	Investments accounted for using equity method	HE JUN ENERGY CO., LTD.	Subsidiaries	-	\$ -	-	-	-	\$ -	\$ -	\$ -	-	-	Note 2
Hotong Motor Investment Co., Ltd.	Structured deposit	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ 217,136	-	\$ 450,929	-	\$ -	\$ -	\$ -	-	\$ 676,887	

Note 1: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Note 2: Please refer to Note 8 for details.

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
Three months ended March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote	
			Purchases (sales)	Amount	Percentage of total purchases(sales)	Credit term	Unit price	Credit term	Balance		Percentage of total notes/accounts receivable(payable)
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 6,906,070	21%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 508,653	19%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	6,374,369	19%	"	"	"	442,508	16%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	4,583,492	14%	"	"	"	326,153	12%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	4,717,711	14%	"	"	"	375,127	14%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	4,149,224	12%	"	"	"	321,890	12%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	4,236,939	13%	"	"	"	334,829	12%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	482,005	1%	"	Not applicable	"	252,525	9%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	698,919	2%	"	Normal	"	47,774	2%	
Ho Tai Motor Co., Ltd.	Easterm Motor Co., Ltd.	Subsidiary	"	659,519	2%	"	"	"	50,766	2%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	226,502	1%	Collection at sight	"	"	12,267	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	9,136,235	30%	Closes its accounts 15 days after the end of each month	Not applicable	"	(3,009,238)	41%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	12,053,587	40%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(769,167)	11%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	480,436	2%	Closes its accounts 16 days after the end of each month	"	"	(196,115)	3%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management	"	312,788	1%	Closes its accounts 15 days after the end of each month	"	"	(88,928)	1%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote		
			Purchases (sales)	Amount	Percentage of total purchases(sales)	Credit term	Unit price	Credit term		Balance	Percentage of total notes/accounts receivable(payable)
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	Purchases	\$ 243,259	1%	Closes its accounts 16 days after the end of each month	Not applicable	Normal	(\$ 91,127)	1%	
Ho Tai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	"	26,197	-	Closes its accounts 15 days after the end of each month	"	"	-	-	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	Sales	107,653	3%	Collection at sight	Normal	"	86	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	2,629,371	84%	Closes its accounts on the next Monday and Wednesday after the end of each week	Not applicable	Not applicable	(156,478)	24%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	482,005	15%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(252,525)	38%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	Sales	480,436	27%	Closes its accounts 16 days after the end of each month	Normal	Normal	196,115	20%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	280,984	16%	Closes its accounts 10 days after the end of each month	"	"	184,588	19%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	126,421	9%	Closes its accounts 10 days after the end of each month	"	"	(58,857)	9%	
Carmax Co., Ltd.	AIM Technology Corp.	Associates	"	353,578	25%	Closes its accounts 21 days after the end of each month	"	"	(128,161)	20%	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	815,565	19%	Payment at sight	"	"	(1,894)	2%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	390,724	9%	"	"	"	(11)	-	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	226,502	5%	"	"	"	(12,267)	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	299,366	7%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	244,977	6%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	186,860	4%	"	"	"	443	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	107,653	2%	"	"	"	(86)	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	123,811	3%	"	"	"	-	-	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	659,519	93%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(50,766)	82%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	100,988	61%	Closes its accounts 15 days after the end of each month	Not applicable	"	(20,286)	31%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	126,421	92%	Closes its accounts 10 days after the end of each month	Normal	"	58,857	95%	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	648,022	97%	Payment in advance	"	"	-	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	\$ 673, 220	98%	Payment in advance	Normal	Normal	\$ -	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	550, 703	98%	"	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	433, 687	96%	"	"	"	-	-	

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.

Ho Tai Motor Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 508,653	65.22	-	-	508,653	-
			Other receivables	\$ 8,177				8,177	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	\$ 442,508	66.88	-	-	442,508	-
			Other receivables	\$ 7,518				7,518	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	\$ 252,525	7.77	-	-	252,525	-
			Other receivables	\$ 113,013				113,013	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	\$ 326,153	65.89	-	-	326,153	-
			Other receivables	\$ 4,926				4,926	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	\$ 334,829	57.82	-	-	334,829	-
			Other receivables	\$ 12,720				12,720	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	\$ 375,127	58.60	-	-	375,127	-
			Other receivables	\$ 5,876				5,876	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	\$ 321,890	81.89			321,890	
			Other receivables	\$ 79,342				79,342	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	Accounts receivable	\$ 184,588	5.00	-	-	184,588	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	\$ 196,115	5.87	-	-	196,115	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Three months ended March 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

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	\$ 482,005	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	379,416	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	252,525	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	Other receivables	113,013		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	659,519	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.	Eastern Motor Co., Ltd.	1	Accounts receivable	50,766		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	196,115	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	226,502	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	50,979	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	107,653	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	HE JING CO., LTD	3	Sales revenue	161,270		-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	52,444		-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	3	Sales revenue	480,436	Closes its accounts 16 days after the end of each month	1%
3	Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	3	Accounts payable	58,857		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
4	Carmax Autotech (Shanghai) Co.,Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	\$ 49,227	Closes its accounts 30 days after the end of each month	-
4	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Sales revenue	48,775	Closes its accounts 30 days after the end of each month	-
4	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Accounts receivable	44,802		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	199,897		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	123,825		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	143,035		-
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	102,087		-
5	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	179,560		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	269,926		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	168,512		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	80,356		-
5	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	766,580		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	47,753		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	115,033		-
6	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology CO., Ltd	3	Other payables	46,671		-
7	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	Sales revenue	78,176	Collection at sight	-
7	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	Accounts receivable	62,332		-

							Transaction	
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of total operating revenues or total assets	
8	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	\$ 74,877	Closes its accounts 60 days after the end of each month	-	
9	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	82,126		-	
10	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	126,421		-	

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)

Three months ended March 31, 2022

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

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three months ended March 31, 2022	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Footnote
				Balance at March 31, 2022	Balance as at December 31, 2021	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	\$ 24,271,118	\$ 854,841	\$ 854,841	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	5,323,627	277,895	81,607	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	3,117,187	3,117,187	108,897,360	100.00	9,978,958	360,142	360,142	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	4,602,590	127,052	127,052	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,703,003	257,521	50,736	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	3,612,462	445,886	200,594	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,726,950	263,490	51,529	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	1,447,486	191,294	36,708	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products and accessories	153,030	153,030	22,950,000	51.00	1,702,395	253,319	129,193	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,867	2,646	397	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	1,262,630	165,799	57,715	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,371,316	251,983	50,850	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three months ended March 31, 2022	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Footnote
				Balance at March 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	\$ 186,851	\$ 186,851	\$ 14,806,073	23.67	\$ 1,184,492	\$ 222,974	\$ 52,778	Investee company accounted for using the equity method
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	1,077,999	47,373	47,373	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	455,507	10,359	10,359	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	305,860	22,999	4,429	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	397,434	6,201	2,756	"
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	127,723	6,197	1,310	"
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	119,798	23,061	5,765	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	35,606	3,226	645	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	879,060	879,060	113,000,000	70.00	527,037	25,988	21,025	"
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	500,000	500,000	50,000,000	50.00	499,783	(1,544)	(772)	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	180,000	-	18,000,000	18.00	180,000	-	-	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	100,188	100,188	3,500,000	70.00	171,655	5,664	-	An indirect wholly-owned subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	34,350	34,350	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	10,797,357	868,329	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,434,230	273,405	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	394,284	6,799	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	123	165,799	-	Investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three months ended March 31, 2022	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Footnote
				Balance at March 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	Taiwan	Property and casualty insurance services	\$ 6,831,887	\$ 6,831,887	\$ 19,960,531	99.80	\$ 9,289,224	\$ 272,079	\$ -	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	341,180	28,777	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,156,450	1,156,450	40,400,000	50.50	2,474,942	194,983	-	An indirect wholly-owned subsidiary
Hotai Leasing Co., Ltd.	Hoyun International Limited	"	"	1,133,550	1,133,550	39,600,000	49.50	2,425,095	194,983	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	325,467	18,737	-	"
Hotai Connected Co., Ltd	Hoing Mobility Service Co., Ltd.	"	"	300,000	300,000	30,000,000	49.18	314,964	18,737	-	"
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	149,870	(6,780)	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	"	120,000	120,000	12,000,000	27.40	101,291	(6,780)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd	"	Installment trading of various vehicles	810,000	810,000	81,000,000	81.00	775,883	(30,320)	-	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	800,000	-	80,000,000	80.00	800,000	-	-	Subsidiary
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	35,463	28	-	An indirect wholly-owned subsidiary
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	39,225	39,225	7,000,000	100.00	98,149	1,082	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	107,149	(821)	-	"
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	777,489	30,241	-	"
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	6,710	-	-	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	95,765	3,375	-	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	93,121	18,428	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	17,979	2,103	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	50,168	12,834	-	"
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	8,121	-	-	Subsidiary's investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2022			Net profit (loss) of the investee for the three months ended March 31, 2022	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Footnote
				Balance at March 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	\$ 83,040	\$ 83,040	\$ 3,000,000	100.00	\$ 107,136	(\$ 821)	\$ -	An indirect wholly-owned subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Taiwan	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	113,283	3,226	-	Subsidiary
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products and accessories	38,500	38,500	3,850,000	35.00	41,691	2,646	-	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	11,356	732	-	An indirect wholly-owned subsidiary
Eastern Motor Co., Ltd.	Daleon Auto Parts And Accessories Corporation	"	"	500	500	50,000	100.00	915	146	-	"
Eastern Motor Co., Ltd.	Ho Tai Connected Co., Ltd	"	E-commerce platform services	5,650	-	565,000	0.50	5,650	25,988	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi service	3,000	3,000	300,000	0.68	3,000	(6,780)	-	"
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd	"	Car assembly business	200,000	200,000	20,000,000	20.00	199,907	(1,544)	-	"
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd	"	Sales of vehicle bodies	40,000	40,000	4,000	100.00	36,888	(602)	-	An indirect wholly-owned subsidiary

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Three months ended March 31, 2022

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

Table 9

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Net income of investee for the three months ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Book value of investment in Mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	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	3,665,288	Note 2	1,759,006	-	-	1,759,006	359,491	100.00	359,491	9,777,917	-	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	96,466	"	96,466	-	-	96,466	34,490	100.00	34,490	538,807	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	135,279	"	10,520	-	-	10,520	-	10.48	-	10,520	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	85,875	"	28,625	-	-	28,625	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	171,750	"	171,750	-	-	171,750	62,781	100.00	62,781	597,412	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	85,875	"	85,875	-	-	85,875	13,030	100.00	13,030	198,879	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	143,125	"	100,188	-	-	100,188	5,664	70.00	3,965	171,655	-	"
Shanghai Heling Motor Service Co., Ltd.	"	100,188	Note 3	75,141	-	-	75,141	111,489	100.00	111,489	1,440,104	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	135,279	Note 2	11,271	-	-	11,271	-	10.48	-	11,271	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	171,750	"	171,750	-	-	171,750	2,666	100.00	2,666	183,850	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	390,731	"	266,213	-	-	266,213	3,248	100.00	3,248	272,583	-	"
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	"	45,093	Note 3	-	-	-	-	218	100.00	218	50,060	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	166,025	Note 2	166,025	-	-	166,025	27,805	100.00	27,805	399,772	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	186,063	Note 2	186,063	-	-	186,063	72,461	100.00	72,461	546,866	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,290,000	Note 2	2,290,000	-	-	2,290,000	194,983	55.61	108,436	2,724,957	-	Note 2.1

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Net income of investee for the three months ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Book value of investment in Mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	225,465	Note 3	-	-	-	-	4,423	55.61	2,460	147,462	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	676,394	"	-	-	-	-	9,073	55.61	5,046	315,403	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	85,875	Note 2	85,875	-	-	85,875	(821)	45.01	(370)	49,866	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	343,500	Note 3	-	-	-	-	34,434	100.00	34,434	567,659	-	"
Tianjin Hozhan Motor Service Co., Ltd.	"	309,338	"	-	-	-	-	4,976	100.00	4,976	329,323	-	"
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	343,500	"	-	-	-	-	495	35.00	173	61,419	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	38,071	Note 1	38,071	-	-	38,071	11,549	51.00	5,890	167,480	-	"
Guangzhou Gac Changho Autotech Corporation	"	91,409	"	41,134	-	-	41,134	14,674	22.95	3,368	46,837	131,149	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	286,250	Note 3	-	-	-	-	15,663	35.00	5,482	153,987	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	429,375	"	-	-	-	-	13,430	35.00	4,701	214,712	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	343,500	"	-	-	-	-	15,650	35.00	5,478	211,013	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	"	400,750	"	-	-	-	(3,701)	35.00	(1,295)	51,854	-	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,939	"	-	-	-	(117)	71.43	(84)	(1,001)	-	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,509	"	-	-	-	(23)	100.00	(23)	11,005	-	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	482,048	"	-	-	-	-	37,450	100.00	36,405	763,582	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property	1,037,139	"	-	-	-	-	1,680	100.00	1,680	1,015,837	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,528	"	-	-	-	(1,063)	100.00	(1,063)	12,355	-	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	90,186	"	-	-	-	-	1,061	100.00	1,061	115,161	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	45,093	"	-	-	-	-	973	50.00	487	1,508	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property	286,250	"	-	-	-	(2,176)	100.00	(2,176)	300,477	-	-	"

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, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2022	Net income of investee for the three months ended March 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2022	Book value of investment in Mainland China as of March 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	300,563	Note 3	-	-	-	-	8,036	100.00	8,036	322,991	-	Note 2.3
Tianjin Binhai Heling LEXUS Motor Service Co.,Ltd.	Sales and repairing of vehicles	135,279	"	-	-	-	-	7,194	35.00	2,518	46,376	-	"
Tianjin Yongda Communication Technology Co., LTD.	Trading of vehicle products / accessories and property management	265,057	"	-	-	-	(200)	35.00 (1,231)	173,517	-	-	"
Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	135,279	"	-	-	-	(189)	70.00 (132)	94,269	-	-	"
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	123,088	"	-	-	-	-	9,004	35.00	3,151	46,980	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,547	"	-	-	-	-	2,121	100.00 (1,213)	497,890	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	"	252,521	"	-	-	-	-	5,126	70.00	69	663,643	-	"
Shanghai Hekang Equipment Leasing Co., Ltd	Leasing business	766,581	"	-	-	-	-	-	100.00	-	766,581	-	"
Qingdao Heling Lexus Automobile Sales Service Co., Ltd	Sales and repairing of vehicles	135,279	"	-	-	-	-	-	70.00	-	135,279	-	"

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 three months ended March 31, 2022 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 independent auditors in PricewaterhouseCoopers, Taiwan.
- (3) Others - the self-prepared financial statements that were not reviewed by independent 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 March 31, 2022	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.	\$ 2,971,987	\$ 5,999,473	\$ 53,939,717

Ho Tai Motor Co., Ltd.
Major shareholders information
Three months ended March 31, 2022

Table 10

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%