

**HO TAI MOTOR COMPANY LIMITED AND  
SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT**  
**MARCH 31, 2023 AND 2022**

---

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

HO TAI MOTOR COMPANY LIMITED  
MARCH 31, 2023 AND 2022 CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REVIEW REPORT  
TABLE OF CONTENTS

<u>Contents</u>	<u>Page</u>
1. Cover Page	1
2. Table of Contents	2 ~ 3
3. Independent Auditors' Review Report	4 ~ 5
4. Consolidated Balance Sheets	6 ~ 7
5. Consolidated Statements of Comprehensive Income	8 ~ 9
6. Consolidated Statements of Changes in Equity	10
7. Consolidated Statements of Cash Flows	11 ~ 12
8. Notes to the Consolidated Financial Statements	13 ~ 122
(1) History and Organization	13
(2) The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation	13
(3) Application of New Standards, Amendments and Interpretations	13 ~ 15
(4) Summary of Significant Accounting Policies	15 ~ 40
(5) Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty	40 ~ 41
(6) Details of Significant Accounts	41 ~ 75

Contents	Page
(7) Related Party Transactions	76 ~ 83
(8) Pledged Assets	83 ~ 84
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	84
(10) Significant Disaster Loss	84
(11) Significant Events after the Balance Sheet Date	85
(12) Others	85 ~ 119
(13) Supplementary Disclosures	119 ~ 120
(i.) Significant transactions information	119 ~ 120
(ii.) Information on investees	120
(iii.) Information on investments in Mainland China	120
(iv.) Major shareholders information	120
(14) Segment Information	120 ~ 122

## INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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 subsidiaries (the "Group") as at March 31, 2023 and 2022, 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 and International Accounting Standard 34, "Interim Financial Reporting" that came into effect 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***

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of 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\$79,753,262 thousand and NT\$66,929,573 thousand, constituting 19% and 18% of the consolidated total assets as at March 31, 2023 and 2022, respectively. Total liabilities amounted to NT\$26,624,928 thousand and NT\$16,179,224 thousand, constituting 8% and 6% of the consolidated

total liabilities as at March 31, 2023 and 2022, respectively. And the total comprehensive income amounted to NT\$1,729,444 thousand and NT\$1,982,302 thousand, constituting 27% and 33% 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, 2023 and 2022.

### ***Qualified Conclusion***

Based on our reviews, with the exception of the matter described in the preceding paragraph, 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, 2023 and 2022, 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 and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

---

Hsiao, Chun-Yuan

---

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

May 11, 2023

---

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 audit 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 the management, PricewaterhouseCoopers 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 COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022**  
(Expressed in thousands of New Taiwan dollars)  
(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Assets	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current Assets</b>								
1100	Cash and cash equivalents	6(1)	\$ 14,559,380	3	\$ 15,629,561	4	\$ 29,862,932	8
1120	Financial assets at fair value through profit or loss-current	6(2)	4,397,866	1	4,590,529	1	8,175,699	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)	-	-	216,321	-	615,883	-
1150	Derivative financial assets for hedging	6(4)	398,909	-	504,827	-	2,719	-
1190	Other financial assets-current	6(1) and 8	2,516,916	1	3,229,892	1	2,789,993	1
1195	Contract assets-current		82,689	-	57,021	-	25,457	-
1201	Notes receivable	6(5), 7 and 8	12,541,256	3	11,928,468	3	11,191,126	3
1202	Accounts receivable	6(5), 7 and 8	236,985,560	56	226,000,165	56	190,214,981	52
1203	Other receivables	7	2,126,316	1	1,831,274	-	1,614,089	-
1270	Inventories	6(7)	18,953,270	4	13,280,667	3	8,700,712	2
1280	Prepayments	6(8)	9,325,416	2	8,911,626	2	9,205,495	3
1290	Assets held for sale		283,710	-	283,710	-	-	-
1310	Reinsurance contract assets, net	6(9)	3,394,591	1	2,964,445	1	2,638,972	1
	<b>Total current assets</b>		<u>305,565,879</u>	<u>72</u>	<u>289,428,506</u>	<u>71</u>	<u>265,038,058</u>	<u>72</u>
<b>Non-current assets</b>								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,011,039	-	1,011,039	-	1,035,718	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	8,203,798	2	8,411,794	2	10,715,775	3
1470	Investments accounted for using the equity method	6(10)	20,049,859	5	18,759,486	5	17,834,686	5
1480	Other financial assets-non-current	6(1)	245,259	-	196,388	-	198,235	-
1500	Property, plant and equipment, net	6(11)	61,408,253	14	60,555,510	15	55,721,221	15
1595	Right-of-use assets, net	6(12)	3,800,358	1	3,629,696	1	3,419,491	1
1600	Investment property, net	6(14)	2,874,637	1	2,900,924	1	2,525,888	1
1700	Intangible assets, net	6(15)	210,223	-	184,656	-	1,282,338	-
1800	Deferred income tax assets, net	6(33)	4,231,084	1	4,099,616	1	2,046,565	1
1900	Other assets	6(5)(9)(16)	18,890,684	4	17,383,522	4	8,477,691	2
	<b>Total non-current assets</b>		<u>120,925,194</u>	<u>28</u>	<u>117,132,631</u>	<u>29</u>	<u>103,257,608</u>	<u>28</u>
1XXX	<b>Total Assets</b>		<u>\$ 426,491,073</u>	<u>100</u>	<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 368,295,666</u>	<u>100</u>

(Continued)

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2023, DECEMBER 31, 2022 AND MARCH 31, 2022**  
(Expressed in thousands of New Taiwan dollars)  
(The consolidated balance sheets as of March 31, 2023 and 2022 are reviewed, not audited)

Liabilities and Equity	Notes	March 31, 2023		December 31, 2022		March 31, 2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	
<b>Current Liabilities</b>								
2110	Short-term loans	6(17)	\$ 108,977,793	26	\$ 105,333,597	26	\$ 70,344,783	19
2120	Short-term notes and bills payable	6(18)	122,467,657	29	114,640,213	28	107,191,894	29
2140	Financial liabilities at fair value through profit or loss-current	6(2)	9,040	-	162,608	-	11,656	-
2150	Derivative financial liabilities for hedging	6(4)	788,187	-	586,935	-	707,700	-
2165	Contract liabilities-current	6(28)	1,170,855	-	1,518,147	-	1,418,341	1
2201	Notes payable		801,861	-	870,114	-	771,484	-
2202	Accounts payable	7	14,599,983	4	11,384,815	3	9,437,793	3
2203	Accrued expenses	6(21) and 7	5,596,885	1	6,623,281	2	6,246,176	2
2204	Other payables	7	3,704,637	1	1,665,754	1	12,582,226	4
2250	Commissions payable	7	486,776	-	493,435	-	526,083	-
2260	Due to reinsurance and ceding companies		1,025,191	-	814,508	-	824,835	-
2270	Claims payable		116,092	-	313,586	-	32,022	-
2310	Current income tax liabilities		2,737,931	1	1,446,987	-	4,804,926	1
2320	Advance receipts		297,940	-	237,772	-	196,134	-
2330	Long-term liabilities-current portion	6(19)(20)	28,771,399	7	24,305,569	6	16,508,364	5
2335	Current lease liabilities	7	479,437	-	573,266	-	419,278	-
2350	Other current liabilities	6(9)(23)(24)	25,844,133	6	30,610,509	8	19,624,158	5
	<b>Total current liabilities</b>		<u>317,875,797</u>	<u>75</u>	<u>301,581,096</u>	<u>74</u>	<u>251,647,853</u>	<u>69</u>
<b>Non-current liabilities</b>								
2550	Long-term loans	6(20)	10,977,230	3	12,399,285	3	4,632,125	1
2600	Provisions	6(9)(23)	9,024,290	2	8,716,614	2	8,589,887	2
2620	Guarantee deposits received	6(24)	8,449,654	2	8,254,408	2	7,869,040	2
2625	Non-current lease liabilities	7	1,974,813	-	1,807,561	1	1,681,873	1
2630	Deferred income tax liabilities	6(33)	4,307,186	1	4,230,074	1	3,975,295	1
2660	Other liabilities		27	-	36	-	65	-
	<b>Total non-current liabilities</b>		<u>34,733,200</u>	<u>8</u>	<u>35,407,978</u>	<u>9</u>	<u>26,748,285</u>	<u>7</u>
2XXX	<b>Total Liabilities</b>		<u>352,608,997</u>	<u>83</u>	<u>336,989,074</u>	<u>83</u>	<u>278,396,138</u>	<u>76</u>
<b>Equity attributable to shareholders of the parent</b>								
Share capital								
3110	Common stock	6(25)	5,461,792	1	5,461,792	1	5,461,792	1
Capital surplus								
3200	Capital surplus	6(26)	2,898,044	1	2,898,044	1	2,926,579	1
Retained earnings								
3310	Legal reserve	6(27)	15,553,282	4	15,553,282	4	13,925,963	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		20,136,286	5	16,165,239	4	41,314,540	11
Other equity								
3400	Other equity		1,838,787	-	1,304,787	-	3,852,385	1
31XX	<b>Total equity attributable to shareholders of the parent</b>		<u>46,270,034</u>	<u>11</u>	<u>41,764,987</u>	<u>10</u>	<u>67,863,102</u>	<u>18</u>
32XX	<b>Non-controlling interest</b>		<u>27,612,042</u>	<u>6</u>	<u>27,807,076</u>	<u>7</u>	<u>22,036,426</u>	<u>6</u>
3XXX	<b>Total equity</b>		<u>73,882,076</u>	<u>17</u>	<u>69,572,063</u>	<u>17</u>	<u>89,899,528</u>	<u>24</u>
Significant contingent liabilities and unrecognized contract commitments								
Significant events after balance sheet date								
	<b>Total liabilities and equity</b>		<u>\$ 426,491,073</u>	<u>100</u>	<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 368,295,666</u>	<u>100</u>

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

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(Reviewed, not audited)

Items	Notes	Three months ended March 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
<b>Revenues</b>						
4010	Interest income	6(3)(29)	\$ 4,822,479	7	\$ 3,679,901	6
4020	Premiums revenue	6(30)	2,208,545	3	2,225,353	4
4040	Reinsurance commission revenue		287,323	1	143,326	-
4050	Fee income		2,613	-	2,665	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	811,654	1	437,487	1
4090	Gain on financial assets and liabilities at fair value through profit or loss	6(2)	510,653	1	130,930	-
4160	Net sales revenue	6(28) and 7				
4161	Sales revenue		55,091,846	81	50,752,563	83
4162	Sales returns		( 496,064)	( 1)	( 329,754)	-
4163	Sales discounts and allowances		( 811,293)	( 1)	( 1,109,438)	( 2)
4170	Rental revenue		4,674,540	7	4,198,346	7
4180	Service revenue	6(28) and 7	582,081	1	519,110	1
4210	Gains on disposals of property, plant and equipment		7,194	-	4,358	-
4230	Income from investment property	6(14)	45,052	-	44,217	-
4270	Other income		273,574	-	256,137	-
4256	Reversal gain on expected credit of investment and impairment loss		196	-	( 27)	-
4280	Unrealized profit from sales		( 84,499)	-	( 44,801)	-
4290	Realized profit from sales		44,701	-	66,381	-
	Total revenues		<u>67,970,595</u>	<u>100</u>	<u>60,976,754</u>	<u>100</u>
<b>Expenses</b>						
5010	Interest expense		( 1,259,979)	( 2)	( 566,737)	( 1)
5030	Underwriting expenses		( 138)	-	( 52)	-
5040	Commission expenses	7	( 1,284,458)	( 2)	( 1,470,280)	( 2)
5050	Claims payment		( 7,166,741)	( 11)	( 1,106,770)	( 2)
5070	Net changes in other insurance liabilities	6(9)	5,751,696	8	( 140,504)	-
5125	Realized losses on financial assets at fair value through other comprehensive income		( 20,115)	-	24,671	-
5190	Cost of sales	6(7) and 7	( 47,097,791)	( 69)	( 42,990,379)	( 70)
5200	Cost of rental revenue		( 3,638,941)	( 5)	( 3,407,413)	( 6)
5210	Cost of services		( 502,856)	( 1)	( 432,229)	( 1)
5230	Operating expenses	6(31)(32) and 7				
5231	Selling expenses		( 2,527,564)	( 4)	( 2,410,657)	( 4)
5232	General and administrative expenses		( 1,825,166)	( 3)	( 1,551,856)	( 2)
5233	Research and development expenses		( 28,049)	-	( 28,410)	-
5287	Expected credit impairment loss of non-investment	12(2)	( 725,221)	( 1)	( 421,618)	( 1)
5270	Expenses and losses from investment property	6(14)	( 8,932)	-	( 8,810)	-
5275	Losses on using overlay approach of investment		( 226,064)	-	252,580	-
5290	Foreign exchange gains (losses)		( 41,711)	-	( 81,136)	-
5320	Other expenses		( 36,466)	-	( 18,389)	-
	Total expenses		<u>( 60,638,496)</u>	<u>( 90)</u>	<u>( 54,357,989)</u>	<u>( 89)</u>
6100	<b>Income before income tax from continuing operations</b>		7,332,099	10	6,618,765	11
6200	Income tax expense	6(33)	( 1,407,198)	( 2)	( 1,373,540)	( 2)
6500	<b>Profit for the period</b>		<u>\$ 5,924,901</u>	<u>8</u>	<u>\$ 5,245,225</u>	<u>9</u>

(Continued)

**HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**THREE MONTHS ENDED MARCH 31, 2023 AND 2022**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(Reviewed, not audited)

Items	Notes	Three months ended March 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
<b>Other comprehensive (loss) income for the period</b>						
<b>Components of other comprehensive (loss) income that may not be reclassified to profit or loss</b>						
6617	Gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 240,745	-	\$ 423,735	1
6610	Total components of other comprehensive income that may not be reclassified to profit or loss		240,745	-	423,735	1
<b>Components of other comprehensive (loss) income that will be reclassified to profit or loss</b>						
6651	Financial statement translation differences of foreign operations		83,334	-	602,788	1
6659	Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	46,646	-	(39,940)	-
6661	(Loss) gain on hedging instrument	6(4)	(128,097)	-	30,321	-
6675	Other comprehensive income (loss) reclassified by using overlay approach	6(2)	226,064	1	(252,580)	(1)
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method-components of other comprehensive income		5,906	-	(39,548)	-
6689	Income tax related to components of other comprehensive income	6(33)	19,266	-	(5,788)	-
	Total components of other comprehensive income that will be reclassified to profit or loss		253,119	1	295,253	-
6600	<b>Other comprehensive income for the period-net</b>		\$ 493,864	1	\$ 718,988	1
6700	<b>Total comprehensive income for the period</b>		\$ 6,418,765	9	\$ 5,964,213	10
Profit attributable to:						
6810	Owners of parent		\$ 5,063,405	7	\$ 4,293,291	7
6820	Non-controlling interests		861,496	1	951,934	2
			\$ 5,924,901	8	\$ 5,245,225	9
Comprehensive income attributable to:						
6910	Owners of parent		\$ 5,597,405	8	\$ 4,896,733	8
6920	Non-controlling interests		821,360	1	1,067,480	2
			\$ 6,418,765	9	\$ 5,964,213	10
	Basic earnings per share	6(34)	\$ 9.27		\$ 7.86	
	Diluted earnings per share	6(34)	\$ 9.27		\$ 7.85	

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
THREE MONTHS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

		Equity attributable to owners of the parent											
		Retained Earnings					Other equity interest						
Notes	Share capital- common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other comprehensive income(loss) reclassified by using overlay approach	Gain (loss) on hedging instruments	Total	Non-controlling interests	Total equity	
<u>For the three months ended March 31, 2022</u>													
	\$ 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	6(27)												
Cash dividends	-	-	-	-	( 10,923,584)	-	-	-	-	( 10,923,584)	-	( 10,923,584)	
Difference between proceeds on disposal of equity interest in subsidiary and its carrying amount	6(35)	-	119,102	-	-	-	-	-	-	119,102	( 120,102)	( 1,000)	
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	393,934	393,934	
Balance at March 31, 2022	<u>\$ 5,461,792</u>	<u>\$ 2,926,579</u>	<u>\$ 13,925,963</u>	<u>\$ 381,843</u>	<u>\$ 41,314,540</u>	<u>(\$ 94,916)</u>	<u>\$ 3,654,273</u>	<u>\$ 307,504</u>	<u>(\$ 14,476)</u>	<u>\$ 67,863,102</u>	<u>\$ 22,036,426</u>	<u>\$ 89,899,528</u>	
<u>For the three months ended March 31, 2023</u>													
	\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 16,165,239	(\$ 323,552)	\$ 1,699,344	(\$ 140,088)	\$ 69,083	\$ 41,764,987	\$ 27,807,076	\$ 69,572,063	
	-	-	-	-	5,063,405	-	-	-	-	5,063,405	861,496	5,924,901	
	-	-	-	-	-	74,531	277,315	227,750	( 45,596)	534,000	( 40,136)	493,864	
	-	-	-	-	5,063,405	74,531	277,315	227,750	( 45,596)	5,597,405	821,360	6,418,765	
Appropriation and distribution of retained earnings:	6(27)												
Cash dividends	-	-	-	-	( 1,092,358)	-	-	-	-	( 1,092,358)	( 1,016,394)	( 2,108,752)	
Balance at March 31, 2023	<u>\$ 5,461,792</u>	<u>\$ 2,898,044</u>	<u>\$ 15,553,282</u>	<u>\$ 381,843</u>	<u>\$ 20,136,286</u>	<u>(\$ 249,021)</u>	<u>\$ 1,976,659</u>	<u>\$ 87,662</u>	<u>\$ 23,487</u>	<u>\$ 46,270,034</u>	<u>\$ 27,612,042</u>	<u>\$ 73,882,076</u>	

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Three months ended March 31	
		2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Consolidated (loss) profit before income tax		\$ 7,332,099	\$ 6,618,765
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(11)(12)(14)(31)	3,153,165	2,812,077
Amortization	6(31)	35,001	29,907
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	( 510,653 )	( 130,930 )
Expected credit impairment loss (gain on reversal) of investment		( 196 )	27
Expected credit impairment loss of non-investment		725,221	421,618
Profit or loss reclassified by applying overlay approach		226,064	( 252,580 )
Impairment loss (reversal gain) of rental assets	6(11)	( 24,261 )	9,573
Provision for financial guarantee expense		4,517	3,798
Interest expense		1,259,979	566,737
Interest income	6(29)	( 4,822,479 )	( 3,679,901 )
Dividend income		( 14,788 )	( 24,650 )
Share of profit of associates accounted for using the equity method	6(10)	( 811,654 )	( 437,487 )
Net gain on disposal of property, plant and equipment		( 7,194 )	( 4,358 )
Unrealized profit from sales		84,499	44,801
Realized profit from sales		( 44,701 )	( 66,381 )
Profit from lease modification	6(12)	( 72 )	-
Exchange gain (loss)		-	35,148
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		703,316	( 285,567 )
Contract assets		( 25,668 )	3,637
Notes and accounts receivable		( 13,435,359 )	( 11,794,527 )
Other receivables		( 290,926 )	( 112,722 )
Inventories		( 4,116,419 )	2,560,659
Prepayments		( 409,829 )	( 771,358 )
Reinsurance contract assets		( 536,288 )	( 302,720 )
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		( 153,568 )	( 16,124 )
Contract liabilities		( 347,292 )	47,090
Notes and accounts payable		3,146,915	631,960
Accrued expenses		( 1,030,822 )	( 755,370 )
Other payables		( 69,867 )	251,469
Commission payable		( 6,659 )	( 19,716 )
Provisions		307,676	368,030
Due to reinsurance and ceding companies		210,683	238,246
Claims payable		( 197,494 )	( 9,719 )
Advance receipts		60,168	( 56,178 )
Other current liabilities		( 4,934,384 )	( 1,033,593 )
Other liabilities		( 9 )	( 7 )
Cash outflow generated from operations		( 14,541,279 )	( 3,043,160 )
Interest received		4,818,363	3,671,528
Cash dividends received		14,788	24,650
Interest paid		( 1,259,514 )	( 525,251 )
Income tax paid		( 151,344 )	( 163,593 )
Net cash flows used in operating activities		( 11,118,986 )	( 35,826 )

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
THREE MONTHS ENDED MARCH 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)  
(Reviewed, not audited)

	Notes	Three months ended March 31	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease (increase) in financial assets at fair value through other comprehensive income		\$ 711,904	( \$ 32,889 )
Acquisition of investments accounted for using the equity method		( 512,880 )	-
Net cash flow from acquisition of subsidiaries		( 9,253 )	-
Acquisition of property, plant and equipment	6(11)	( 5,243,931 )	( 5,972,933 )
Proceeds from disposal of property, plant and equipment		66,978	131,217
Acquisition of intangible assets	6(15)	( 44,372 )	( 4,332 )
Decrease (increase) in other financial assets		664,105	( 49,524 )
(Increase) decrease in other assets		( 467,024 )	75,284
Net cash flows used in investing activities		( 4,834,473 )	( 5,853,177 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(36)	3,790,193	3,699,839
Increase in short-term notes and bills payable	6(36)	7,827,444	2,330,552
Proceeds from issuance of bonds	6(36)	4,000,000	3,000,000
Proceeds from long-term loans	6(36)	1,046,368	500,357
Repayments of long-term loans	6(36)	( 2,001,493 )	( 680,000 )
Increase in guarantee deposits received	6(36)	363,254	442,567
Repayment of principal portion of lease liability	6(36)	( 232,088 )	( 105,791 )
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	6(35)	-	332,350
Change in non-controlling interests		-	60,584
Net cash flows provided by financing activities		14,793,678	9,580,458
Net effect of changes in foreign currency exchange rates		89,600	357,897
Net (decrease) increase in cash and cash equivalents		( 1,070,181 )	4,049,352
Cash and cash equivalents at beginning of period		15,629,561	25,813,580
Cash and cash equivalents at end of period		\$ 14,559,380	\$ 29,862,932

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2023 AND 2022

(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, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became into effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

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

(2) Effect of new issuances of or amendments to IFRSs that came into effect 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
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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, 2024
Amendments to IAS 1, 'Non-current liabilities with contracts'	January 1, 2024

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

A. IFRS 17, 'Insurance contracts'

IFRS 17 'Insurance Contracts' replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall disaggregate a portfolio into three groups of contracts at initial recognition: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to separately present insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services,

reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

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

#### 4. Summary of Significant Accounting Policies

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

##### (1) Compliance statement

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

##### (2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
  - (b) Financial assets at fair value through other comprehensive income.
  - (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
  - (d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

##### (3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group

loses control of the subsidiaries.

- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- (f) From January 1, 2023 to March 31, 2023, the subsidiaries of the individual financial reports included in this merger report, except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, Hoyun International Finance Leasing Co., Ltd., and Hoing Mobility Service Corporation, which are included based on their financial reports reviewed by independent auditors during the same period and excluded from the consolidated financial statements. The remaining subsidiaries are evaluated and disclosed based on their unaudited financial statements for the same period. From January 1, 2022 to March 31, 2022, the subsidiaries of the individual financial reports included in this merger report, except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited and Hoyun International Finance Leasing Co., Ltd., which are included based on their financial reports reviewed by independent auditors during the same period and excluded from the consolidated financial statements. The remaining subsidiaries are evaluated and disclosed based on their unaudited financial statements for the same period.

## B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100	100	100	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100	100	100	
Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	92.86	92.86	-	Note 13
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	100	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Co., Ltd.	Sales of vehicles and parts for industry use	100	100	100	
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	51	51	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	100	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20	20	20	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	70	70	70	Note 3
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50	50	50	Note 1
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18	18	18	Note 1, 4
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Sales of vehicle bodies	100	100	-	Note 7
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tianjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70	70	70	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100	100	100	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75	75	75	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	70	70	70	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70	70	70	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100	100	100	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd.	Sales and repairing of vehicles	70	70	70	
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25	25	25	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100	100	100	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	100	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100	100	100	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	40	40	40	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
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30	30	30	Note 1, 10
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30	30	30	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

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	7.13	7.13	99.8	Note 1, 13
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.1	41.1	41.1	Note 1
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.4	27.4	27.4	Note 1
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	Taxi service	100	100	100	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	Taxi service	100	100	100	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.5	50.5	50.5	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.5	49.5	49.5	Note 1
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of vehicles	50.82	50.82	50.82	
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Leasing of vehicles	49.18	49.18	49.18	Note 1
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	Tourism industry	100	100	-	Note 6
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment trading of various vehicles	81	81	81	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	80	80	80	Note 4
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Energy storage	100	100	-	Note 8
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar power	90	90	-	Note 12
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar power	90	90	-	Note 12
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Solar power	90	90	-	Note 12
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Electricity retailing business	100	-	-	Note 14
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Solar power	100	-	-	Note 15
Hoyun International Limited	Hoyun International Finance Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100	100	100	Note 9
Hoyun International Finance Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100	100	100	
Hoyun International Finance Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of cars	100	100	100	
Hoyun International Finance Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100	100	-	Note 5
Hoyun International Finance Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100	100	-	Note 5
Hoyun International Finance Leasing Co., Ltd.	Homei Consulting (Suzhou) Company Limited	Consulting services	100	100	-	Note 6
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	-	-	100	Note 11
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	General investment	100	100	-	Note 11
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100	100	100	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100	100	100	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100	100	100	
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51	51	51	

Investor	Investee	Main business activities	Ownership (%)			Note
			March 31, 2023	December 31, 2022	March 31, 2022	
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100	100	100	
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100	100	100	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	-	-	100	Note 11
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100	100	100	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100	100	100	
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	100	100	
Eastern Motor Co., Ltd.	Daleon Auto Parts & Accessories Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100	100	100	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	0.68	Note 1
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	0.5	0.5	0.5	Note 1, 3
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Assembly of vehicle bodies	20	20	20	
Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Sales of vehicle bodies	-	-	100	Note 7

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 20, 2022, the Company disposed of 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 subscribing shares and the shareholding ratio was increased from 0% to 0.5%.

Note 4: 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.

Note 5: The subsidiary was acquired in May, 2022.

Note 6: The subsidiary was established in June, 2022.

Note 7: On August 4, 2022, the Company's subsidiary, Hotai Auto Body Manufacturing Co., Ltd. disposed of 100% of the shares of Hotai Auto Body Sales Co., Ltd. to the Company at the consideration of \$40,000.

Note 8: The subsidiary was acquired in September, 2022.

Note 9: Hoyun International Lease Co., Ltd. was renamed as Hoyun International Finance Leasing Co., Ltd. in September, 2022.

Note 10: Shanghai Hekang Equipment Leasing Co., Ltd. was renamed as Tianjin Hekang Finance Leasing Co., Ltd. in September, 2022.

Note 11: Ichiban International Co., Ltd. and Air Master International Co., Ltd. resolved to merge, and Air Master International Co., Ltd. was the surviving company.

Note 12: The subsidiary was acquired in the fourth quarter of 2022.

Note 13: On October 11, 2022 and December 14, 2022, the Company participated in the capital increase of the Company's subsidiary, Hotai Insurance Co., Ltd. amounting to \$20,000,000 and \$6,000,000, respectively. As a result, its shareholding ratio would be 92.86% after the capital increase. As subsidiaries, Hozan Investment Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Insurance Co., Ltd. decreased to 7.13% from 99.8%.

Note 14: The subsidiary was established in February, 2023.

Note 15: The subsidiary was acquired in March, 2023.

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, 2023, December 31, 2022 and March 31, 2022, the non-controlling interest amounted to \$27,612,042, \$27,807,075 and \$22,036,426, respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		March 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 17,796,233	54.61% (note)	\$ 18,369,237	54.61% (note)
Hotai Leasing Co., Ltd.	Taiwan	1,915,115	33.96%	1,807,397	33.96%

  

Name of subsidiary	Principal place of business	Non-controlling interest	
		March 31, 2022	
		Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 12,964,849	54.61%
Hotai Leasing Co., Ltd.	Taiwan	1,755,260	33.96%

Note: The shareholding percentage calculation does not include the non-voting Class A special shares issued by the subsidiary.

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.		
	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 247,910,622	\$ 236,804,466	\$ 200,263,887
Non-current assets	20,658,549	18,560,622	13,847,167
Current liabilities	( 235,255,633)	( 221,376,661)	( 186,371,027)
Non-current liabilities	( 1,338,120)	( 1,095,413)	( 876,949)
Total net assets	\$ 31,975,418	\$ 32,893,014	\$ 26,863,078

	Hotai Leasing Co., Ltd.		
	March 31, 2023	December 31, 2022	March 31, 2022
Current assets	\$ 4,353,242	\$ 4,225,639	\$ 3,750,269
Non-current assets	40,682,291	40,116,388	36,282,795
Current liabilities	( 24,544,785)	( 24,857,667)	( 21,201,064)
Non-current liabilities	( 14,851,091)	( 14,161,911)	( 13,663,085)
Total net assets	\$ 5,639,657	\$ 5,322,449	\$ 5,168,915

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Three months ended March 31,	
	2023	2022
Revenue	\$ 6,564,637	\$ 5,184,626
Profit before income tax	1,331,959	1,259,672
Income tax expense	( 319,263)	( 291,373)
Profit for the period	1,012,696	968,299
Other comprehensive (loss) income for the period, net of tax	( 69,106)	201,100
Total comprehensive income for the period	\$ 943,590	\$ 1,169,399
Comprehensive income attributable to non-controlling interests	\$ 443,389	\$ 538,200

	Hotai Leasing Co., Ltd.	
	Three months ended March 31,	
	2023	2022
Revenue	\$ 5,496,650	\$ 4,704,704
Profit before income tax	385,024	352,282
Income tax expense	( 86,472)	( 78,877)
Profit for the period	298,552	273,405
Other comprehensive income for the period, net of tax	18,657	84,346
Total comprehensive income for the period	\$ 317,209	\$ 357,751
Comprehensive income attributable to non-controlling interests	\$ 107,718	\$ 121,485

#### Statements of cash flows

	Hotai Finance Co., Ltd.	
	Three months ended March 31,	
	2023	2022
Net cash used in operating activities	( 9,551,624)	( 7,597,968)
Net cash used in investing activities	( 1,259,029)	( 909,754)
Net cash provided by financing activities	12,059,778	10,867,389
Net effect of changes in foreign currency exchange rates	74,954	308,479
Increase in cash and cash equivalents	1,324,079	2,668,146
Cash and cash equivalents, beginning of period	2,382,775	1,058,573
Cash and cash equivalents, end of period	\$ 3,706,854	\$ 3,726,719

	Hotai Leasing Co., Ltd.	
	Three months ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 4,346,019	\$ 3,825,346
Net cash used in investing activities	( 4,354,614)	( 4,321,632)
Net cash provided by financing activities	163,760	521,642
Increase in cash and cash equivalents	155,165	25,356
Cash and cash equivalents, beginning of period	120,151	109,655
Cash and cash equivalents, end of period	\$ 275,316	\$ 135,011

#### (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 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. The group 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 if IFRS 9 had been applied ; 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) Assets held for sale

Assets that are highly probable to be sold in the future rather than recovering their carrying amount through sustaining use are classified as assets held for sale by the Company's subsidiary, which was measured at the lower of its carrying amount or fair value less costs to sell.

(17) 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.

(18) 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

(19) 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.

(20) 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 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.

(21) 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.

(22) 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.

(23) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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.

(28) 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.

(29) 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.

(30) 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:

(a) 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.

(b) Fair value hedge: a hedge of recognized assets or liabilities, or unrecognized firm commitments against risk of changes in fair value.

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.

#### D. Fair value hedges

- (a) The fair value change on hedging instruments is recognized in profit or loss.
- (b) For the gain or loss on hedged item, adjust the book value of the hedged item and recognize it in profit or loss. When the hedged item is an unrecognized firm commitment, the accumulated changes in the fair value of the hedged item after designation are recognized as assets or liabilities, and the corresponding changes are recognized in profit or loss.

#### (31) 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(38).

(32) 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.

(33) Classification of insurance contracts

The insurance and reinsurance businesses of the Group 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 the Group 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 the Group refers to an occurrence of any event or incident that leads to the Group's additional significant payment.

(34) 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.

(35) 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, the Group 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.

The Group 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.

(36) 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.

(37) Underwriting pools and coinsurance

The Group 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.

(38) Insurance liabilities

All reserves of insurance contracts that the Group 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.

(39) 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 income tax expense for the mid-year period is calculated by applying the annual average effective tax rate to the mid-year period's pre-tax profit calculation, and relevant information is disclosed in accordance with the aforementioned policies.
- H. When there is a change in tax rate during the mid-year period, the Group recognizes the impact of the change once in the current period. For items related to income tax and recognized outside of profit or loss, the impact of the change is recognized in other comprehensive income or equity items. For items related to income tax and recognized in profit or loss, the impact of the change is recognized in profit or loss.

(40) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that

are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(41) 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.

(42) 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.

(43) 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 Group 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. The Group provides services related to vehicles and vehicle air conditioning. When the results of service provision transactions can be reliably estimated, revenue is recognized based on the percentage of completion method. The degree of completion is estimated by the proportion of actual costs incurred to the estimated total transaction costs as of the financial reporting date. When the results of the transaction cannot be reliably estimated, revenue is recognized within the range of costs already incurred that are likely to be recoverable.

D. Recognition of premium revenue and deferred acquisition cost of the insurance business were as follows:

(a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(34) and (35).

(b) Commission revenue is recognized on the accrual basis of the service period.

E. 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.

(44) 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.

(45) Corporate Mergers

A. This Group uses the acquisition method for corporate mergers. The merger consideration is calculated based on the fair value of the assets transferred, liabilities incurred or assumed, and equity instruments issued, including the fair value of any assets and liabilities arising from contingent consideration agreements. The costs related to the acquisition are recognized as expenses when incurred. The identifiable assets and liabilities acquired and assumed in the corporate merger are measured at fair value on the acquisition date. The Group uses individual acquisition transactions as a basis. The non-controlling interests are part of the current equity and the holders have the right to enjoy a proportional share of the net assets of the company upon liquidation. They can choose to measure the identifiable net assets of the acquired party in proportion to the fair value on the acquisition date or based on the proportion of non-controlling

interests in the acquired party. Other components of non-controlling interests are measured at fair value on the acquisition date.

- B. If the total fair value of the transferred consideration, the non-controlling interests of the acquired party, and the fair value of previously held equity in the acquired party exceeds the fair value of identifiable assets and liabilities acquired and assumed, the difference is recognized as goodwill on the acquisition date. If the total fair value of the identifiable assets and liabilities acquired and assumed exceeds the transferred consideration, the non-controlling interests of the acquired party, and the fair value of previously held equity in the acquired party, the difference is recognized as current profit or loss on the acquisition date.

#### 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 above mentioned 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(7) B.

## 6. Details of Significant Accounts

### (1) Cash and cash equivalents

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Cash on hand and revolving funds	\$ 14,353	\$ 15,799	\$ 14,216
Checking accounts and demand deposits	9,547,049	10,454,929	11,736,017
Cash equivalents			
Time deposits	2,536,294	595,460	3,244,107
Short-term notes and bills	2,461,684	4,563,373	14,868,592
	<u>\$ 14,559,380</u>	<u>\$ 15,629,561</u>	<u>\$ 29,862,932</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, 2023, December 31, 2022 and March 31, 2022, the Group presented its long-term time deposits of \$2,002,407, \$2,690,156 and \$1,862,958 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

Items	March 31, 2023	December 31, 2022	March 31, 2022
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	\$ 1,285,135	\$ 1,546,818	\$ 3,071,798
Derivative instruments	132,278	57,587	256,526
Financial instruments	583,642	703,187	1,150,800
Listed stocks	1,234,654	1,180,507	1,758,342
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	994,915	1,172,594	1,468,928
Valuation adjustment	107,262	( 130,144)	409,325
	\$ 4,397,866	\$ 4,590,529	\$ 8,175,699
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Corporate bonds	\$ 1,011,039	\$ 1,011,039	\$ 1,035,718
Financial liabilities at fair value through profit or loss			
Current items:			
Financial liabilities held for trading			
Derivative instruments	\$ 9,040	\$ 162,608	\$ 11,656

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

Items	Three months ended March 31,	
	2023	2022
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 233,271	\$ 249,800
Domestic and foreign beneficiary certificates	8,202	( 20,002)
Financial instruments	( 668)	383
Listed stocks	142,237	( 79,737)
Listed preference share	10,370	( 337)
Exchange Traded Funds	108,722	( 27,696)
Corporate bonds	8,519	8,519
	\$ 510,653	\$ 130,930

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

March 31, 2023		
Derivative instruments	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 431,207	2022.11.22~2023.09.08
	GBP 943	2022.12.12~2023.05.05

December 31, 2022		
Derivative instruments	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 423,402	2022.07.20~2023.06.08
Foreign exchange swap contracts	USD 21,490	2022.10.07~2023.03.29

March 31, 2022		
Derivative instruments	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD 351,037	2021.12.17~2022.10.07
Foreign exchange swap contracts	USD 24,410	2022.01.10~2022.07.04

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. On March 31, 2023, December 31, 2022 and March 31, 2022, such financial assets designated using overlay approach are as follows:

Items	March 31, 2023	December 31, 2022	March 31, 2022
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 696,590	\$ 642,442	\$ 1,393,905
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	994,916	1,172,594	1,468,928
Beneficiary certificates	270,001	310,000	1,180,000
Foreign beneficiary certificates	152,730	152,730	420,582
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	155,306	( 70,758)	383,633
	<u>\$ 2,829,523</u>	<u>\$ 2,766,988</u>	<u>\$ 5,407,028</u>

For the three months ended March 31, 2023 and 2022, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	Years ended December 31,	
	2023	2022
Gains recognized in profit or loss under IFRS 9	\$ 276,005	(\$ 113,330)
Less: Gains recognized in profit or loss under IAS 39	49,941	139,250
Loss reclassified under overlay approach	<u>\$ 226,064</u>	<u>(\$ 252,580)</u>
Effect from change in tax	<u>(\$ 1,717)</u>	<u>\$ 4,203</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)

Type of structured entities	Book value at March 31, 2023	Book value at December 31, 2022	Book value at March 31, 2022	Description
Infrastructure fund	\$ -	\$ -	\$ 349,521	Note
Real estate private placement fund	<u>\$ 169,152</u>	<u>\$ 177,738</u>	<u>\$ 125,328</u>	Note

Note: 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

Items	March 31, 2023	December 31, 2022	March 31, 2022
Current items:			
Debt instrument			
Government bonds	\$ -	\$ 250,562	\$ 253,783
Financial bonds	-	-	200,280
Foreign financial bonds	-	169,012	160,256
	-	419,574	614,319
Valuation adjustment (including loss allowance)	-	( 1,153)	1,564
Less: Operation bonds	-	( 202,100)	-
	<u>\$ -</u>	<u>\$ 216,321</u>	<u>\$ 615,883</u>
Non-current items:			
Debt instrument			
Government bonds	\$ 454,863	\$ 405,004	\$ 108,802
Corporate bonds	-	-	302,538
Financial bonds	-	-	304,561
Foreign corporate and financial bonds	-	560,161	587,874
	454,863	965,165	1,303,775
Valuation adjustment (including loss allowance)	1,725	( 44,031)	( 11,671)
Less: Operation bonds	( 398,200)	( 398,200)	( 300,300)
	<u>58,388</u>	<u>522,934</u>	<u>991,804</u>
Equity instruments			
Listed stocks and unlisted stocks	6,526,940	6,511,139	6,440,972
Valuation adjustment	1,618,470	1,377,721	3,282,999
	<u>8,145,410</u>	<u>7,888,860</u>	<u>9,723,971</u>
	<u>\$ 8,203,798</u>	<u>\$ 8,411,794</u>	<u>\$ 10,715,775</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 \$8,145,410, \$7,888,860 and \$9,723,971, respectively, as at March 31, 2023, December 31, 2022 and March 31, 2022.
- B. 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, 2023, December 31, 2022 and March 31, 2022, government bonds with par value of \$398,200, \$600,300, \$300,300 and cash of \$3,802,100, \$3,600,000, \$0 were deposited.
- C. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

Items	Three months ended March 31,	
	2023	2022
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 12,008	(\$ 39,939)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	( 265)	20
Reclassified due to derecognition	34,903	( 21)
	<u>\$ 46,646</u>	<u>(\$ 39,940)</u>
Interest income recognized in profit or loss	<u>\$ 4,671</u>	<u>\$ 8,901</u>

Items	Three months ended March 31,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 240,745</u>	<u>\$ 423,735</u>

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

	March 31, 2023		December 31, 2022		March 31, 2022	
	Current assets	Current liabilities	Current assets	Current liabilities	Current assets	Current liabilities
Cash flow hedges						
Exchange rate risk and interest rate risk						
Cross currency swaps	\$ 398,909	(\$ 788,187)	\$ 504,807	(\$ 586,800)	\$ 2,719	(\$ 707,700)
Fair value hedges						
Exchange rate risk						
Forward exchange contracts	\$ -	\$ -	\$ -	(\$ 135)	\$ -	\$ -

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

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

Hedging instruments	March 31, 2023					Three months ended March 31, 2023			
	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 rates	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges :									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	68,300	2022/1/12~ 2025/1/13	\$ 138,648	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY	58,800,000	2020/8/15~ 2024/9/9	76,384	( 788,187)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~ 2024/9/12	183,877	-	-	30.60	2.04	-

March 31, 2023	
Assets carrying amount	Valuation on assets' carrying amount due to fair value hedges
\$ 18,485,566	(\$ 462,011)

**Hedged items**

Cash flow hedges:

Exchange rates risk and interest  
rate risk

Long-term and short-term  
borrowings

\$ 18,485,566 (\$ 462,011)

Hedging instruments	December 31, 2022					Year ended December 31, 2022			
	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 rates	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges:									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	69,050	2022/1/12~ 2025/1/13	\$ 162,926	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY	58,800,000	2020/8/15~ 2024/9/9	182,211	( 586,800)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~ 2024/9/12	159,690	-	-	30.60	2.04	-
Fair value hedges:									
<u>Exchange rate risk</u>									
Forward exchange contracts	GBP	943	2022/12/12~ 2023/5/5	-	( 135)	-	36.88	-	-

		December 31, 2022			
		Assets carrying amount	Valuation on assets' carrying amount due to fair value hedges	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
<b>Hedged items</b>					
Cash flow hedges:					
<u>Exchange rates risk and interest rate risk</u>					
Short-term borrowings		\$ -	\$ -	\$ 18,495,220	(\$ 282,796)
Fair value hedges:					
<u>Exchange rates risk</u>					
Accounts payable in GBP		\$ 135	\$ 135	\$ -	\$ -

		March 31, 2022				Three months ended March 31, 2022			
Hedging instruments	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 rates	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
Cash flow hedges :									
<u>Exchange rate risk and interest rate risk</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	65,000	2022/1/12~ 2025/1/13	\$ 2,719	(\$ 12,478)	\$ -	6.33~6.38	4.11~4.19	\$ -
	JPY	33,800,000	2020/8/15~ 2024/9/9	-	( 695,222)	-	0.25~0.28	0.83~1.08	-

		March 31, 2022	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
<b>Hedged items</b>			
Cash flow hedges:			
<u>Exchange rates risk and interest rate risk</u>			
Short-term borrowings		\$ 10,496,817	(\$ 669,513)

### C. Cash flow hedges

	Three months ended March 31,	
	2023	2022
<u>Cash flow hedge reserve</u>		
At January 1	\$ 156,657	(\$ 52,476)
(Losses) gains on hedge effectiveness-amount recognized in other comprehensive income	( 108,785)	36,835
Reclassified to profit or loss as the hedged item has affected profit or loss	( 19,312)	( 6,514)
Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	26,571	( 7,791)
At March 31	<u>\$ 55,131</u>	<u>(\$ 29,946)</u>

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.

### D. Fair value hedges

#### Exchange rate risk

To hedge exposed exchange rate risk arising from accounts payable in GBP, the Group entered into a forward pre-purchase British pound contract with a hedge ratio of 1:1. The change in the fair value of the hedging instrument is based on the exchange gains and losses of British pound accounts payable. The recognition is also recognized in exchange profit or loss to offset the impact of exchange rate on profit or loss.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Notes receivable	\$ 2,498,550	\$ 2,400,961	\$ 2,453,981
Installment notes receivable	9,814,863	9,279,605	8,436,162
Accounts receivable	8,356,592	6,745,500	6,850,827
Installment accounts receivable	246,795,382	234,142,170	190,144,851
Lease payments and notes receivable	30,071,687	29,614,771	24,630,382
Premiums receivable	612,175	651,590	857,767
Overdue receivable	34,481	21,806	63,244
	<u>298,183,730</u>	<u>282,856,403</u>	<u>233,437,214</u>
Less: Unrealized interest income	( 31,247,312)	( 28,830,021)	( 20,992,637)
Unearned finance income	( 2,844,264)	( 2,853,897)	( 2,325,299)
Allowance for doubtful accounts	( 4,994,093)	( 4,780,044)	( 4,132,374)
Notes and accounts receivable, net	<u>\$ 259,098,061</u>	<u>\$ 246,392,441</u>	<u>\$ 205,986,904</u>
	<u>March 31, 2022</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current	<u>\$ 249,526,816</u>	<u>\$ 237,928,633</u>	<u>\$ 201,406,107</u>
Non-current (shown as other assets)	<u>\$ 9,571,245</u>	<u>\$ 8,463,808</u>	<u>\$ 4,580,797</u>

A. As of March 31, 2023, December 31, 2022 and March 31, 2022, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$9,400,369, \$9,419,261 and \$4,179,081, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 294,473,754	\$ 279,767,763	\$ 230,885,838
Up to 30 days	376,632	373,922	489,558
31 to ~ 90 days	1,912,385	1,529,579	1,092,125
91 to ~ 180 days	1,205,129	878,628	613,202
Over 180 days	215,830	306,511	356,491
	<u>\$ 298,183,730</u>	<u>\$ 282,856,403</u>	<u>\$ 233,437,214</u>

The above aging analysis was based on past due date.

C. As of March 31, 2023, December 31, 2022 and March 31, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$10,832,984, \$8,930,815 and \$9,356,393, respectively.

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Up to 12 months	\$ 84,223,679	\$ 80,119,355	\$ 68,442,483
Over 12 months	172,386,566	163,302,420	130,138,530
	<u>\$ 256,610,245</u>	<u>\$ 243,421,775</u>	<u>\$ 198,581,013</u>

E. Lease payments receivable

Refer to Note 6(13) for more details.

F. 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 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, 2023</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>		
				Financial instruments <u>(d)</u>	Collateral received <u>(e)</u>	Net amount <u>(f)=(c)-(d)-(e)</u>
Reverse repurchase agreement	<u>\$ 518,424</u>	<u>\$ -</u>	<u>\$ 518,424</u>	<u>\$ -</u>	<u>\$ 511,086</u>	<u>\$ 7,338</u>
<u>December 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>		
				Financial instruments <u>(d)</u>	Collateral received <u>(e)</u>	Net amount <u>(f)=(c)-(d)-(e)</u>
Derivative instruments	\$ 5,455	\$ -	\$ 5,455	\$ 1,403	\$ -	\$ 4,052
Reverse repurchase agreement	320,649	-	320,649	-	287,664	32,985
	<u>\$ 326,104</u>	<u>\$ -</u>	<u>\$ 326,104</u>	<u>\$ 1,403</u>	<u>\$ 287,664</u>	<u>\$ 37,037</u>

Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		
				Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)-(e)
Derivative instruments	\$ 1,403	\$ -	\$ 1,403	\$ 1,403	\$ -	\$ -

March 31, 2022

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

Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		
				Financial instruments (d)	Collateral received (e)	Net amount (f)=(c)-(d)-(e)
Derivative instruments	\$ 11,656	\$ -	\$ 11,656	\$ 288	\$ -	\$ 11,368

(7) Inventories

	March 31, 2023		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 10,376,315	(\$ 127,294)	\$ 10,249,021
Air conditioners and parts	4,008,515	( 343,822)	3,664,693
Other goods	647,576	( 6,091)	641,485
Inventory in transit	4,398,071	-	4,398,071
	<u>\$ 19,430,477</u>	<u>(\$ 477,207)</u>	<u>\$ 18,953,270</u>

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 7,309,864	(\$ 122,123)	\$ 7,187,741
Air conditioners and parts	3,422,269	( 353,975)	3,068,294
Other goods	302,446	( 6,091)	296,355
Inventory in transit	2,728,277	-	2,728,277
	<u>\$ 13,762,856</u>	<u>(\$ 482,189)</u>	<u>\$ 13,280,667</u>

	March 31, 2022		
	Cost	Allowance for valuation loss	Book value
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	1,253,074	-	1,253,074
	<u>\$ 9,139,814</u>	<u>(\$ 439,102)</u>	<u>\$ 8,700,712</u>

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

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

	Three months ended March 31,	
	2023	2022
Cost of goods sold	\$ 47,102,773	\$ 42,986,216
(Gain on reversal of) loss on market value decline of inventories	( 4,982)	4,163
	<u>\$ 47,097,791</u>	<u>\$ 42,990,379</u>

The Group reversed a previous inventory write-down and recognised as decrease in cost of goods sold because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the three months ended March 31, 2023.

(8) Prepayments

	March 31, 2023	December 31, 2022	March 31, 2022
Prepayments to commissions	\$ 2,955,784	\$ 2,879,378	\$ 3,084,311
Prepayments to suppliers	3,832,715	3,697,687	4,063,281
Offset against business tax payable	583,347	278,118	516,749
Prepaid insurance premiums	647,657	641,196	564,904
Other prepayments	1,305,913	1,415,247	976,250
	<u>\$ 9,325,416</u>	<u>\$ 8,911,626</u>	<u>\$ 9,205,495</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Claims recoverable from reinsurers	\$ 256,995	\$ 206,706	\$ 166,984
Due from reinsurance and ceding companies	157,945	180,747	141,309
Reinsurance reserve assets			
-Ceded unearned premium reserve	1,617,514	1,290,493	1,341,238
-Ceded claims reserve	2,655,205	2,489,734	1,777,016
Due from reinsurance and ceding companies-overdue	<u>30,712</u>	<u>12,660</u>	<u>15,366</u>
	4,718,371	4,180,340	3,441,913
Less: Loss allowance	( 15,842)	( 14,099)	( 13,290)
	<u>\$ 4,702,529</u>	<u>\$ 4,166,241</u>	<u>\$ 3,428,623</u>

	<u>March 31, 2022</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current	\$ 3,394,591	\$ 2,964,445	\$ 2,638,972
Non-current (shown as other assets)	<u>\$ 1,307,938</u>	<u>\$ 1,201,796</u>	<u>\$ 789,651</u>

For the credit risk of reinsurance contract assets, please refer to Note 12(6).

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

	<u>2023</u>	<u>2022</u>
At January 1	\$ 14,099	\$ 12,767
Provision during the period	1,743	523
At March 31	<u>\$ 15,842</u>	<u>\$ 13,290</u>

C. Details of insurance liabilities are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Unearned premium reserve	\$ 6,703,277	\$ 6,390,579	\$ 6,519,668
Claims reserve	8,581,954	11,379,006	5,541,605
Special reserve	1,659,243	1,647,788	1,944,873
Premium deficiency reserve	3,097,650	5,898,278	-
	<u>\$ 20,042,124</u>	<u>\$ 25,315,651</u>	<u>\$ 14,006,146</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current (shown as other current liabilities)	\$ 15,102,107	\$ 20,486,863	\$ 9,410,136
Non-current (shown as provisions)	<u>\$ 4,940,017</u>	<u>\$ 4,828,788</u>	<u>\$ 4,596,010</u>

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

	2023		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 6,390,579	\$ 1,290,493	\$ 5,100,086
Provision during the period	6,703,277	1,617,514	5,085,763
Recovery during the period	( 6,390,579)	( 1,290,493)	( 5,100,086)
At March 31	<u>\$ 6,703,277</u>	<u>\$ 1,617,514</u>	<u>\$ 5,085,763</u>

  

	2022		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 6,127,570	\$ 1,183,255	\$ 4,944,315
Provision during the period	6,519,668	1,341,238	5,178,430
Recovery during the period	( 6,127,570)	( 1,183,255)	( 4,944,315)
At March 31	<u>\$ 6,519,668</u>	<u>\$ 1,341,238</u>	<u>\$ 5,178,430</u>

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

(a) As of March 31, 2023, December 31, 2022 and March 31, 2022, details of claims reserve and ceded claims reserve are as follows:

	March 31, 2023		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 4,885,155	\$ 1,376,331	\$ 3,508,824
Incurred but not reported	3,696,799	1,278,874	2,417,925
	<u>\$ 8,581,954</u>	<u>\$ 2,655,205</u>	<u>\$ 5,926,749</u>

  

	December 31, 2022		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 6,334,023	\$ 1,436,202	\$ 4,897,821
Incurred but not reported	5,044,983	1,053,532	3,991,451
	<u>\$ 11,379,006</u>	<u>\$ 2,489,734</u>	<u>\$ 8,889,272</u>

  

	March 31, 2022		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 2,724,442	\$ 854,859	\$ 1,869,583
Incurred but not reported	2,817,163	922,157	1,895,006
	<u>\$ 5,541,605</u>	<u>\$ 1,777,016</u>	<u>\$ 3,764,589</u>

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

	2023		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 11,379,006	\$ 2,489,734	\$ 8,889,272
Provision during the period	8,581,954	2,655,205	5,926,749
Recovery during the period	(11,379,006)	(2,489,734)	(8,889,272)
At March 31	<u>\$ 8,581,954</u>	<u>\$ 2,655,205</u>	<u>\$ 5,926,749</u>

  

	2022		
	Gross amount	Ceded amount	Net amount
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>

F. Movement of ceded unearned premium reserve and unearned premium reserve are as follows:

	2023		
	Gross amount	Ceded amount	Net amount
At January 1	5,898,278	\$ -	\$ 5,898,278
Provision during the period	3,097,650	-	3,097,650
Recovery during the period	(5,898,278)	-	(5,898,278)
At March 31	<u>\$ 3,097,650</u>	<u>\$ -</u>	<u>\$ 3,097,650</u>

G. Movement of special reserve is as follows:

	2023	2022
	At January 1	\$ 1,647,788
Provision during the period	11,455	24,036
Recovery during the period	-	(398)
At March 31	<u>\$ 1,659,243</u>	<u>\$ 1,944,873</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.

H. Pursuant to Jin-Guan-Pao-Tsai Letter No. 11101405951, “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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Decrease in special reserve under liability	\$ 33,450	\$ 33,450	\$ 378,992
Increase in special reserve under retained earnings	38,334	38,334	314,768
		<u>Three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
Increase in net loss / decrease in net income before tax	\$	-	\$ 398
Increase in loss / decrease in earnings per share before tax		-	0.02

- I. 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.

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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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, 2023 and 2022.

(10) Investments accounted for using the equity method

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Kuozui Motors, Ltd.	\$ 6,293,104	\$ 5,970,350	\$ 5,323,627
Central Motor Co., Ltd.	2,823,866	2,754,483	2,703,003
Tau Miao Motor Co., Ltd.	1,882,321	1,811,818	1,726,950
Kau Du Automobile Co., Ltd.	1,511,116	1,464,963	1,447,486
Kuotu Motor Co., Ltd.	1,523,423	1,450,904	1,371,316
Taipei Toyota Motor Co., Ltd.	1,392,213	1,297,418	1,262,753
Nan Du Motor Co., Ltd.	1,268,410	1,208,004	1,184,492
Lang Yang Toyota Motor Co., Ltd.	313,610	307,402	305,860
Formosa Flexible Packaging Corp.	398,959	398,926	397,434
Shi-Ho Screw Industrial Co., Ltd.	126,820	126,581	127,723
Yokohama Tire Taiwan Co., Ltd., etc.	2,516,017	1,968,637	1,984,042
	<u>\$ 20,049,859</u>	<u>\$ 18,759,486</u>	<u>\$ 17,834,686</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, 2023, December 31, 2022 and March 31, 2022, the carrying amount of the Group’s individually immaterial associates amounted to \$20,049,859, \$18,759,486 and \$17,834,686, respectively.

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive income for the period	<u>\$ 818,258</u>	<u>\$ 477,035</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 \$811,654 and \$437,487 for the three months ended March 31, 2023 and 2022, respectively, and were valued based on the investees’ financial statements that were not reviewed by independent auditors.

(11) Property, plant and equipment

2023

	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,</u>											
Cost	\$ 12,482,536	\$ 6,096,113	\$ 137,843	\$ 59,990	\$ 2,895,848	\$ 764,199	\$ 573,027	\$ 58,670,085	\$ 779,793	\$ 2,128,054	\$ 84,587,488
Accumulated depreciation and impairment	( 26,850)	( 2,575,623)	( 130,565)	( 59,850)	( 1,524,830)	( 401,296)	( 373,486)	( 18,353,084)	( 586,394)	-	( 24,031,978)
	<u>\$ 12,455,686</u>	<u>\$ 3,520,490</u>	<u>\$ 7,278</u>	<u>\$ 140</u>	<u>\$ 1,371,018</u>	<u>\$ 362,903</u>	<u>\$ 199,541</u>	<u>\$ 40,317,001</u>	<u>\$ 193,399</u>	<u>\$ 2,128,054</u>	<u>\$ 60,555,510</u>
Opening net book amount as of January 1	\$ 12,455,686	\$ 3,520,490	\$ 7,278	\$ 140	\$ 1,371,018	\$ 362,903	\$ 199,541	\$ 40,317,001	\$ 193,399	\$ 2,128,054	\$ 60,555,510
Additions	-	3,458	-	-	155,810	122,779	4,157	4,656,379	22,483	278,865	5,243,931
Acquired through business combination	-	-	-	-	69,789	-	-	-	-	-	69,789
Disposals	-	-	-	( 25,455)	( 1,614)	( 7)	( 32,339)	( 369)	-	-	( 59,784)
Reclassifications	22,660	260,275	-	-	45,301	( 51,994)	385	( 1,493,330)	578	( 221,084)	( 1,437,209)
Depreciation	( 73,830)	( 400)	( 11)	( 74,162)	( 39,096)	( 11,030)	( 2,793,102)	( 13,453)	-	( 3,005,084)	
Impairment loss	-	-	-	-	-	435	-	23,826	-	-	24,261
Net exchange differences	-	8,141	19	-	2,092	408	531	5,603	45	-	16,839
Closing net book amount as of March 31	<u>\$ 12,478,346</u>	<u>\$ 3,718,534</u>	<u>\$ 6,897</u>	<u>\$ 129</u>	<u>\$ 1,544,393</u>	<u>\$ 393,821</u>	<u>\$ 193,577</u>	<u>\$ 40,684,038</u>	<u>\$ 202,683</u>	<u>\$ 2,185,835</u>	<u>\$ 61,408,253</u>
<u>At March 31,</u>											
Cost	\$ 12,505,196	\$ 6,358,388	\$ 127,903	\$ 59,990	\$ 3,110,098	\$ 760,304	\$ 578,892	\$ 59,585,245	\$ 805,763	\$ 2,185,835	\$ 86,077,614
Accumulated depreciation and impairment	( 26,850)	( 2,639,854)	( 121,006)	( 59,861)	( 1,565,705)	( 366,483)	( 385,315)	( 18,901,207)	( 603,080)	-	( 24,669,361)
	<u>\$ 12,478,346</u>	<u>\$ 3,718,534</u>	<u>\$ 6,897</u>	<u>\$ 129</u>	<u>\$ 1,544,393</u>	<u>\$ 393,821</u>	<u>\$ 193,577</u>	<u>\$ 40,684,038</u>	<u>\$ 202,683</u>	<u>\$ 2,185,835</u>	<u>\$ 61,408,253</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.

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,</u>											
Cost	\$ 11,271,633	\$ 5,953,827	\$ 145,534	\$ 59,990	\$ 2,139,272	\$ 903,840	\$ 629,226	\$ 52,094,036	\$ 777,137	\$ 1,197,249	\$ 75,171,744
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>
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,</u>											
Cost	\$ 11,750,527	\$ 6,419,791	\$ 142,194	\$ 59,990	\$ 2,313,072	\$ 863,776	\$ 618,464	\$ 53,859,568	\$ 719,696	\$ 1,365,180	\$ 78,112,258
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 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 and have usage restrictions.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land( (including superficies)	\$ 2,190,520	\$ 1,967,934	\$ 1,806,470
Buildings and structures	1,598,824	1,651,330	1,608,144
Machinery and equipment	1,918	2,192	3,014
Office equipment	9,096	8,240	1,863
	<u>\$ 3,800,358</u>	<u>\$ 3,629,696</u>	<u>\$ 3,419,491</u>

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 42,851	\$ 46,848
Buildings and structures	98,012	98,723
Machinery and equipment	274	274
Office equipment	959	163
	<u>\$ 142,096</u>	<u>\$ 146,008</u>

- C. For the three months ended March 31, 2023 and 2022, the additions to right-of-use assets amounted to \$413,353 and \$46,134, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,928	\$ 11,735
Expense on short-term lease contracts and leases of low-value assets	39,423	14,993
Gain on lease modification	72	-

- E. For the three months ended March 31, 2023 and 2022, the Group's total cash outflow for lease amounted to \$283,439 and \$132,519, 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:

	Three months ended March 31,	
	2023	2022
Finance income from the net investment in the finance lease	\$ 813,910	\$ 668,130

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

	March 31, 2023	December 31, 2022	March 31, 2022
Less than 1 year	\$ 20,096,730	\$ 19,416,404	\$ 16,542,800
Between 1 and 2 years	7,392,230	7,697,693	6,194,570
Between 2 and 3 years	1,930,459	1,915,978	1,557,950
Between 3 to 4 years	420,114	344,384	193,693
Between 4 to 5 years	230,252	220,731	123,783
More than 6 years	1,480	9,329	815
	<u>\$ 30,071,265</u>	<u>\$ 29,604,519</u>	<u>\$ 24,613,611</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Undiscounted lease payments	\$ 30,071,265	\$ 29,596,703	\$ 24,613,611
Unearned finance income	( 2,844,264)	( 2,853,897)	( 2,325,299)
Net investment in the lease	<u>\$ 27,227,001</u>	<u>\$ 26,742,806</u>	<u>\$ 22,288,312</u>

E. For the three months ended March 31, 2023 and 2022, the Group recognized rent income in the amount of \$4,710,325 and \$4,198,346,, 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:

	March 31, 2023	December 31, 2022	March 31, 2022
Less than 1 year	\$ 12,460,995	\$ 12,445,073	\$ 11,527,483
Between 1 and 2 years	7,890,724	7,788,280	7,228,554
Between 2 and 3 years	3,742,507	3,701,177	3,417,327
Between 3 to 4 years	1,295,846	1,255,538	1,060,526
Between 4 to 5 years	447,242	478,076	366,984
More than 6 years	18,182	17,814	20,990
	<u>\$ 25,855,496</u>	<u>\$ 25,685,958</u>	<u>\$ 23,621,864</u>



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

	Three months ended March 31,	
	2023	2022
Rental income from investment property	\$ 45,052	\$ 44,217
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 8,932	\$ 8,810

B. The fair value of the investment property held by the Group was \$3,899,480, \$3,332,268 and \$3,341,603 as of March 31, 2023, December 31, 2022 and March 31, 2022, 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

	2023			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 662,323	\$ 527,106	\$ 475,624	\$ 1,665,053
Accumulated amortization and impairment	( 662,323)	( 527,106)	( 290,968)	( 1,480,397)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,656</u>	<u>\$ 184,656</u>
Opening net book amount as of January 1	\$ -	\$ -	\$ 184,656	\$ 184,656
Additions-acquired separately	-	-	44,372	44,372
Amortization	-	-	( 19,092)	( 19,092)
Net change differences	-	-	287	287
Closing net book amount as of March 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,223</u>	<u>\$ 210,223</u>
<u>March 31,</u>				
Cost	\$ 662,323	\$ 527,106	\$ 519,445	\$ 1,708,874
Accumulated amortization and impairment	( 662,323)	( 527,106)	( 309,222)	( 1,498,651)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,223</u>	<u>\$ 210,223</u>

For the year 2022, as the Group’s subsidiary, Hotai Insurance Co., Ltd., sold the severe and special infectious pneumonia related epidemic prevention insurance products whose claim settlement of the epidemic prevention policy has increased the catastrophe risk of the subsidiary, resulting in an impairment in the Group’s goodwill and customer relationship. Accordingly, the Group recognised an impairment loss of \$1,092,475.

	2022			
	Goodwill	Client relationship	Other intangible assets	Total
<u>At January 1</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>
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>
March 31,				
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>

Details of amortization on intangible assets are as follows:

	Three months ended March 31,		
	2023	2022	
Administrative expenses	\$ 19,092	\$ 20,100	
(16) <u>Other assets</u>			
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 10,560,656	\$ 9,393,146	\$ 5,225,025
Reinsurance contract assets	1,307,938	1,201,796	789,651
Operation bonds	4,200,300	4,200,300	300,300
Guarantee deposits paid	635,855	571,701	498,761
Prepayments for business facilities	403,849	267,094	106,814
Others	1,782,086	1,749,485	1,557,140
	<u>\$ 18,890,684</u>	<u>\$ 17,383,522</u>	<u>\$ 8,477,691</u>

In 2022, Hotai Insurance Co., Ltd. handled a capital increase of \$26,000,000 in cash, and increased operating bonds of \$3,900,000 in business deposits. Please refer to Note 6 (3) B for details.

(17) Short-term loans

<u>Type of loans</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bank loans			
Unsecured loans	\$ 78,252,622	\$ 72,785,881	\$ 66,436,531
Mortgage loans	6,683,555	7,500,000	2,400,000
Mid-term syndicated loans for working capital	24,041,616	25,047,716	1,508,252
	<u>\$ 108,977,793</u>	<u>\$ 105,333,597</u>	<u>\$ 70,344,783</u>
Annual interest rate	<u>0.57%~5.36%</u>	<u>0.55%~5.59%</u>	<u>0.52%~4.75%</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, 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 were 0.83%~4.60% , 0.83%~4.60% and 0.52%~4.75%, respectively.
- B. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from February 24, 2023 to February 24, 2026), the loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- C. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 12 months (from December 6, 2022 to December 6, 2023). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- D. The subsidiary, HOTAI FINANCE CO., has entered into a mid-term syndicated contract for a credit line of \$15,000,000 with 18 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from June 29, 2022 to June 27, 2025). The loan can be drawn several times. Of the total loan, \$7,056,600 is non-revolving and the payment term is to repay the drawn amounts in installments within the contract period. The remaining amount of \$7,943,400 is revolving and the payment term is to repay the full drawn amount at the maturity date.
- E. 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.
- F. The subsidiary, Hoyun International Finance Leasing 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.
- G. The subsidiary, Hoyun International Finance Leasing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 980 million with 12 financial institutions including Mizuho Bank, in order to fulfil its working capital. Within six months from the contract signing date (from July 26, 2022 to January 26, 2023), the loan can be drawn several times but is non-

revolving. Each borrowing period is 36 months. The payment term is to repay the drawn amounts in installments within the contract period.

H. 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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Commercial paper payable	\$ 122,573,400	\$ 114,773,400	\$ 107,299,936
Less: Unamortized discount	( 105,743)	( 133,187)	( 108,042)
	<u>\$ 122,467,657</u>	<u>\$ 114,640,213</u>	<u>\$ 107,191,894</u>
Annual interest rate	<u>0.66%~2.02%</u>	<u>0.49%~1.99%</u>	<u>0.45%~1.19%</u>

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Bonds payable	<u>\$ 26,200,000</u>	<u>\$ 22,200,000</u>	<u>\$ 15,200,000</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 unsecured ordinary corporate bonds was issued in 2023. The total amount was \$4,000,000, the coupon rate was 1.50% with a 5-year period, the outstanding period was from March 28, 2023 to March 28, 2028, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. The second secured ordinary corporate bonds was issued in 2022. The total amount was \$7,000,000, the coupon rate was 1.50% with a 3-year period, the outstanding period was from June 6, 2022 to June 6, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. 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.
- D. 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.
- E. 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.
- F. 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.

(20) Long-term loans

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	March 31, 2023	December 31, 2022	March 31, 2022
Long-term bank borrowings						
Credit borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.20%~1.31%	None	\$ 146,459	\$ 147,558	\$ 137,404
	From October 2022 to June 2024; interest is repayable quarterly	1.66%~1.80%	None	6,000,000	8,000,000	-
	From August 2022 to December 2025; interest is repayable quarterly	1.58%~2.01%	None	300,000	250,000	-
Mortgage	From December 2019 to December 2024; interest is repayable monthly	1.20%	Land (please refer to Note 8)	-	-	10,000
Secured borrowings	From June 2019 to March 2030; interest and principal is repayable monthly	2.21%~2.68%	Property, plant and equipment (please refer to Note 8)	508,168	-	-
	From July 2022 to August 2029; interest and principal is repayable monthly	1.96%~2.67%	Property, plant and equipment (please refer to Note 8)	-	115,165	-
Commercial papers payable	From June 2021 to December 2025	0.65%~2.01%	Notes receivable for lease payments (please refer to Note 8)	6,594,002	-	-
	From February 2021 to March 2025	0.65%~1.945%	Notes receivable for lease payments (please refer to Note 8)	-	5,992,131	-
	From April 2019 to November 2024	0.65%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	-	5,793,085
				13,548,629	14,504,854	5,940,489
Less: long-term liabilities, current portion				(2,571,399)	(2,105,569)	(1,308,364)
				\$ 10,977,230	\$ 12,399,285	\$ 4,632,125
Interest rate range				0.65%~2.68%	0.65%~3%	0.65%~1.37%

As of March 31, 2023, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 2,573,787
1 to 2 years	10,477,690
2 to 3 years	437,512
over 3 years	65,637
	<u>\$ 13,554,626</u>

(21) Accrued expenses

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Wages and salaries payable	\$ 2,297,940	\$ 2,633,453	\$ 2,508,173
Dealer bonus payable	291,893	420,688	286,455
Remuneration payable to employees	662,912	654,661	981,826
Remuneration payable to directors	119,287	-	487,202
Interest payable	356,991	352,565	186,647
Others	1,867,862	2,561,914	1,795,873
	<u>\$ 5,596,885</u>	<u>\$ 6,623,281</u>	<u>\$ 6,246,176</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, 2023 and 2022, were \$87,060 and \$85,612, respectively.

(23) Provisions

	<u>2023</u>	<u>2022</u>
At January 1	\$ 4,928,549	\$ 4,838,945
Additional provisions during the year	470,304	618,140
Used during the year	( 186,133)	( 183,336)
Unused amounts reversed	( 57,349)	( 165,696)
At December 31	<u>\$ 5,155,371</u>	<u>\$ 5,108,053</u>

Analysis of provision for warranty is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current (shown as other current liabilities)	\$ 1,071,098	\$ 1,040,723	\$ 1,114,176
Non-current	<u>\$ 4,084,273</u>	<u>\$ 3,887,826</u>	<u>\$ 3,993,877</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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Deposits received for car rentals	\$ 17,246,735	\$ 16,849,384	\$ 15,840,398
Others	57,669	91,766	97,332
	<u>\$ 17,304,404</u>	<u>\$ 16,941,150</u>	<u>\$ 15,937,730</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Current (shown as other current liabilities)	\$ 8,854,750	\$ 8,686,742	\$ 8,068,690
Non-current	<u>\$ 8,449,654</u>	<u>\$ 8,254,408</u>	<u>\$ 7,869,040</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, 2023 and March 31, 2023 was both 546,179,184 shares.

(26) Capital surplus

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

(27) Retained earnings

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

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

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

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

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on

April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

- D. On June 21, 2022, the stockholders resolved that total dividends for the distribution of earnings for the year of 2021 was \$10,923,584 (\$20 per share).
- E. On March 14, 2023, the Board of Directors resolved that total dividends for the distribution of earnings for the year 2022 was \$1,201,594 consisting of \$2 cash dividend and \$0.2 stock dividend per share.
- F. 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:

Three months ended March 31, 2023

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 39,221,795	\$ 471,190	\$ 2,112,638	\$ 17,433,651	\$ 59,239,274
Inter segments	( 2,749,896)	( 410)	( 97,104)	( 2,025,294)	( 4,872,704)
Revenue from external customer contracts	<u>\$ 36,471,899</u>	<u>\$ 470,780</u>	<u>\$ 2,015,534</u>	<u>\$ 15,408,357</u>	<u>\$ 54,366,570</u>
Timing of revenue recognition					
At a point in time	\$ 36,471,899	\$ 416,236	\$ 2,014,497	\$ 14,527,033	\$ 53,429,665
Over time	-	54,544	1,037	881,324	936,905
	<u>\$ 36,471,899</u>	<u>\$ 470,780</u>	<u>\$ 2,015,534</u>	<u>\$ 15,408,357</u>	<u>\$ 54,366,570</u>

Three months ended March 31, 2022

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 33,534,177	\$ 403,388	\$ 1,575,821	\$ 17,744,808	\$ 53,258,194
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>\$ 16,176,141</u>	<u>\$ 49,832,481</u>
Timing of revenue recognition					
At a point in time	\$ 31,758,343	\$ 326,130	\$ 1,494,458	\$ 15,749,245	\$ 49,328,176
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>\$ 16,176,141</u>	<u>\$ 49,832,481</u>

B. Contract assets and liabilities

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

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Contract assets:			
Contract assets - construction contracts	\$ 82,689	\$ 57,021	\$ 25,457
Contract liabilities:			
Contract liabilities - sales of goods	\$ 1,169,091	\$ 1,516,504	\$ 1,415,396
Contract liabilities -customer loyalty programs	1,764	1,643	2,945
	<u>\$ 1,170,855</u>	<u>\$ 1,518,147</u>	<u>\$ 1,418,341</u>

For the three months ended March 31, 2023 and 2022, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$926,069 and \$736,321. and, respectively.

(29) Interest income

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Installment revenue	\$ 3,915,764	\$ 2,959,962
Finance leasing revenue	813,910	668,130
Interest from deposits and short-term notes	76,857	48,776
Other interest income	15,948	3,033
	<u>\$ 4,822,479</u>	<u>\$ 3,679,901</u>

(30) Premium

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Written premium	\$ 3,140,282	\$ 3,024,368
Reinsurance premium	167,226	199,620
Less: Reinsurance expense	( 1,113,286)	( 764,520)
Net change in unearned premiums reserve	14,323	( 234,115)
	<u>\$ 2,208,545</u>	<u>\$ 2,225,353</u>

(31) Expenses by nature

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Employee benefit expense	\$ 2,696,386	\$ 2,539,278
Depreciation	3,153,165	2,812,077
Amortization	35,001	29,907
	<u>\$ 5,884,552</u>	<u>\$ 5,381,262</u>

(32) Employee benefit expense

	Three months ended March 31,	
	2023	2022
Wages and salaries	\$ 2,297,725	\$ 2,174,512
Labor and health insurance fees	183,102	172,615
Pension costs	87,060	85,612
Other personnel expenses	128,499	106,539
	<u>\$ 2,696,386</u>	<u>\$ 2,539,278</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, 2023 and 2022, employees' remuneration were accrued at \$59,643 and \$50,721, respectively; while directors' remuneration were accrued at \$119,287 and \$101,441, respectively. The aforementioned amounts were recognized in salary expenses. From January 1, 2023 to March 31, 2023, a provision of 1% and 2% was made based on the profit situation up to the current period.

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:

	Three months ended March 31,	
	2023	2022
Current tax:		
Current tax expense recognized in the current period	\$ 1,442,288	\$ 1,296,804
Total current tax	<u>1,442,288</u>	<u>1,296,804</u>
Deferred tax:		
Origination and reversal of temporary differences	( 35,090)	76,736
Total deferred tax	<u>( 35,090)</u>	<u>76,736</u>
Income tax expense	<u>\$ 1,407,198</u>	<u>\$ 1,373,540</u>

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

	Three months ended March 31,	
	2023	2022
Cash flow hedges	(\$ 26,571)	\$ 7,791
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 9,022	(\$ 6,206)
Changes in fair value of financial assets designated using overlay approach	(\$ 1,717)	\$ 4,203

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

(34) Earnings per share

	Three months ended March 31, 2023		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 5,063,405	546,179	\$ 9.27
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 5,063,405	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	93	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 5,063,405	546,272	\$ 9.27
	Three months ended March 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 4,293,291	546,179	\$ 7.86
<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	-	391	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 4,293,291	546,570	\$ 7.85

(35) Transactions with non-controlling interest

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

On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at the 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.

(36) Changes in liabilities from financing activities

	2023			
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 105,333,597	\$ 114,640,213	\$ 24,305,569	\$ 12,399,285
Changes in cash flow from financing activities	3,790,193	7,827,444	4,000,000	( 955,125)
Impact of changes in foreign exchange rate	33,077	-	( 1,100)	-
Changes in other non-cash items	( 179,074)	-	466,930	( 466,930)
March 31	<u>\$ 108,977,793</u>	<u>\$ 122,467,657</u>	<u>\$ 28,771,399</u>	<u>\$ 10,977,230</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 16,941,150	\$ 2,380,827	\$ 7,145	\$ 276,007,786
Changes in cash flow from financing activities	363,254	( 232,088)	-	14,793,678
Impact of changes in foreign exchange rate	-	5,197	-	37,174
Changes in other non-cash items	-	300,314	2,108,750	2,229,990
March 31	<u>\$ 17,304,404</u>	<u>\$ 2,454,250</u>	<u>\$ 2,115,895</u>	<u>\$ 293,068,628</u>
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 66,766,240	\$ 104,861,342	\$ 13,579,045	\$ 4,736,583
Changes in cash flow from financing activities	3,699,839	2,330,552	3,000,000	( 179,643)
Impact of changes in foreign exchange rate	35,730	-	4,503	-
Changes in other non-cash items	( 157,026)	-	( 75,184)	75,185
March 31	<u>\$ 70,344,783</u>	<u>\$ 107,191,894</u>	<u>\$ 16,508,364</u>	<u>\$ 4,632,125</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 15,495,163	\$ 2,125,133	\$ 7,159	\$ 207,570,665
Changes in cash flow from financing activities	442,567	( 105,791)	-	9,187,524
Impact of changes in foreign exchange rate	-	35,675	-	75,908
Changes in other non-cash items	-	46,134	10,923,583	10,812,692
March 31	<u>\$ 15,937,730</u>	<u>\$ 2,101,151</u>	<u>\$ 10,930,742</u>	<u>\$ 227,646,789</u>

## 7. Related Party Transactions

### (1) Names of related parties and relationship with the Group (Significant counterparties only)

Names of related parties	Relationship with the Group
Toyota Industries Corporation	Entities controlled by key management
Toyota Motor Asia Pacific Pte Ltd. (TMAP)	//
Toyota South Africa Motors (Pty) Ltd.	//
Toyota-Motor-Europe-Nv/Sa(TME)	//
Toyota-Motor-Sales-USA(TMS)	//
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	//
San Xing (Shanghai) Business Management Consulting Co., Ltd.	//
Triple S Digital Co.,Ltd.	//
Hino Motors, Ltd. (Hino)	//
Toyota Motor Corporation (TMC)	//
Ho Chuang Insurance Agency Co., Ltd.	//
Ho An Insurance Agency Co., Ltd. (Ho An)	//
Ho Yu Investment Co., Ltd. (Ho Yu)	//
Toyota Motor (China) Investment Co., Ltd. (TMCI)	//
Formosa Flexible Packaging Corp.	Associates
Zhongyang Motor Co., Ltd.	//
Beijing Heling Lexus Motor Sales & Service Co., Ltd. (Beijing Heling)	//
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	//
Kashiwabara Hotai Taiwan Co., Ltd.	//
Yokohama Tire Taiwan Co., Ltd.	//
Shi-Ho Screw Industrial Co., Ltd.	//
Kuai Shun Transportation Co., Ltd.	//
Wang Fu Co., Ltd.	//
Nan I Motor Co., Ltd.	//
Chang Guan Logistics Co., Ltd.	//
ChongQing Yudu Toyota Automobile Sales and Service Co., Ltd.	//
ChongQing Yurun Toyota Automobile Service Co., Ltd.	//
ChongQing Taikang Heling Lexus Motor Sales & Service Co, Ltd. (ChongQing Taikang Heling)	//

Names of related parties	Relationship with the Group
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	Associates
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	"
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	"
Tung Tai Asset Management Co., Ltd.	"
Tung Yu Motor Co., Ltd.	"
Innovation Auto Parts Co., Ltd	"
Guangzhou Gac Changho Autotech Corporation	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	"
Nitto Precision Screw Industrial (Zhejiang) Co., Ltd.	"
Tianjin Yongda Communication Technology Co., Ltd.	"
Zheng-Ren Energy Co.,Ltd	"
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	"
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd. (Tianjin Binhai Heling)	"
Kuozui Motors, Ltd. (Kuozui)	"
Kuotu Motor Co., Ltd. (Kuotu)	"
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	"
Tau Miao Motor Co., Ltd. (Tau Miao)	"
Central Motor Co ., Ltd. (Central Motor)	"
Nan Du Motor Co., Ltd. (Nan Du)	"
Kau Du Automobile Co., Ltd. (Kau Du)	"
Lang Yang Toyota Motor Co., Ltd.	"
Ho Cheng Auto Parts Co., Ltd.	"
Hozao Enterprise Co., Ltd.	"
Hohung Motors Co., Ltd.	"
Horung Motors Co., Ltd.	"
Zhong Cheng Motors Co., Ltd.	"
Heng Yun Investment Co., Ltd.	"
Fan Tai Transportation Co., Ltd. (Fan Tai)	"
Yi Tai Transportation Co., Ltd. (Yi Tai)	"
Hua Tai Transportation Co., Ltd.	"
AIM Technology Corp.	"
Guanguan Machinery CO., Ltd.	"
Kao Jin Co., Ltd.	"
Tau Jin Enterprise Co., Ltd.	"

Names of related parties	Relationship with the Group
Nantian Technology Co., Ltd.	Associates
He Ru Co, Ltd.	"
Innvocation Acto Parts Co., Ltd.	"
Shye Shing Enterprise Co., Ltd.	"
Zhonghao Automobile Co., Ltd.	"
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	Three months ended March 31,	
	2023	2022
(a) Sales revenue:		
-Associates		
Central Motor	\$ 7,677,432	\$ 6,917,481
Tau Miao	7,012,918	6,385,161
Taipei Motor	5,704,487	4,591,129
Others	16,490,552	14,483,625
-Entities controlled by key management	28,412	28,933
	<u>\$ 36,913,801</u>	<u>\$ 32,406,329</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.

	Three months ended March 31,	
	2023	2022
(b) Rental revenue:		
-Associates	\$ 35,513	\$ 34,225
-Entities controlled by key management	2,572	2,578
	<u>\$ 38,085</u>	<u>\$ 36,803</u>

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

	Three months ended March 31,	
	2023	2022
(c) Service revenue:		
Service sales:		
-Associates	\$ 20,446	\$ 13,421
-Entities controlled by key management	8,353	8,927
Contracted operating revenue:		
-Associates	6,065	6,185
	<u>\$ 34,864</u>	<u>\$ 28,533</u>

	Three months ended March 31,	
	2023	2022
(d) Subsidy income for price difference from		
-Associates	\$ 45,263	\$ 79,063
	Three months ended March 31,	
	2023	2022
(e) Warranty revenue		
(shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 30,299	\$ 27,910
-Entities controlled by key management		
TMAP	66,943	64,223
Others	1,161	-
	\$ 98,403	\$ 92,133
	Three months ended March 31,	
	2023	2022
(f) Advertisement subsidy and sales promotion		
revenue (shown as deductions to		
advertisement expense):		
-Associates		
Kuotu	\$ 66,808	\$ 59,627
Others	30,856	27,365
-Entities controlled by key management	11,100	13,252
	\$ 108,764	\$ 100,244
	Three months ended March 31,	
	2023	2022
(g) Miscellaneous income:		
-Associates		
Kuotu	\$ 32,107	\$ 32,564
Others	41,135	35,989
-Entities controlled by key management	18,865	25,030
	\$ 92,107	\$ 93,583

## B. Expenditures

	Three months ended March 31,	
	2023	2022
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 17,455,350	\$ 14,682,957
Others	596,096	629,346
-Entities controlled by key management		
TMC	16,720,054	9,136,235
Others	2,689,013	4,789,286
	<u>\$ 37,460,513</u>	<u>\$ 29,237,824</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 6 of Note 13(1) Significant transactions information.

	Three months ended March 31,	
	2023	2022
(b) Warranty cost:		
-Associates		
Central Motor	\$ 24,177	\$ 19,305
Kuotu	23,437	21,925
Tau Miao	21,099	18,800
Kau Du	14,677	12,920
Nan Du	12,346	14,056
Taipei Motor	15,537	12,285
Others	3,085	2,698
-Entities controlled by key management	672	493
	<u>\$ 115,030</u>	<u>\$ 102,482</u>

	Three months ended March 31,	
	2023	2022
(c) Freight:		
-Associates		
Fan Tai	\$ 48,799	\$ 44,496
Yi Tai	48,844	36,635
Others	696	644
	<u>\$ 98,339</u>	<u>\$ 81,775</u>

		Three months ended March 31,	
		2023	2022
(d) Commission expense:			
-Entities controlled by key management			
Ho An	\$	330,385	\$ 264,620
		Three months ended March 31,	
		2023	2022
(e) Others:			
-Associates			
Kuotu	\$	1,841,365	\$ 1,785,866
Tau Miao		1,212,277	443,396
Kau Du		1,050,136	1,355,482
Taipei Motor		890,064	1,018,324
Nan Du		138,127	-
Central Motor		776	612,444
		\$ 5,132,745	\$ 5,215,512

As described in Note 4(43), 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 6 of Note 13(1) significant transactions information.

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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
(a) Receivables from related parties:			
-Associates	\$ 3,119,015	\$ 3,024,554	\$ 2,847,693
-Entities controlled by key management	<u>22,584</u>	<u>22,826</u>	<u>22,163</u>
	<u>\$ 3,141,599</u>	<u>\$ 3,047,380</u>	<u>\$ 2,869,856</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
(b) Other receivables from related			
-Associates	\$ 189,024	\$ 182,418	\$ 161,862
-Entities controlled by key management	<u>5,119</u>	<u>7,874</u>	<u>6,247</u>
	<u>\$ 194,143</u>	<u>\$ 190,292</u>	<u>\$ 168,109</u>

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
(c) Accounts payable:			
-Associates			
Kuozui	\$ 1,384,832	\$ 1,260,947	\$ 925,689
Others	628,921	988,002	370,467
-Entities controlled by key management			
TMC	7,354,276	3,499,835	3,009,238
Others	555,791	550,312	608,052
	<u>\$ 9,923,820</u>	<u>\$ 6,299,096</u>	<u>\$ 4,913,446</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
(d) Accrued expenses and other			
-Associates	\$ 256,180	\$ 419,783	\$ 253,777
-Entities controlled by key management	488	5,405	63
	<u>\$ 256,668</u>	<u>\$ 425,188</u>	<u>\$ 253,840</u>
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	<u>\$ 99,849</u>	<u>\$ 72,945</u>	<u>\$ 88,991</u>
D. <u>Prepayments to suppliers</u>			
	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
-Entities controlled by key management	<u>\$ 68,862</u>	<u>\$ 43,708</u>	<u>\$ 363,151</u>
E. <u>Property transactions</u>			
Acquisition of rental assets and equipment			
		<u>Three months ended March 31,</u>	
		<u>2023</u>	<u>2022</u>
-Associates			
Kuotu	\$	946,345	\$ 893,188
Taipei Motor		362,735	542,970
Central Motor		388,334	398,855
Tau Miao		285,758	300,269
Others		418,261	370,806
-Entities controlled by key management		2,772	1,898
	<u>\$</u>	<u>2,404,205</u>	<u>\$ 2,507,986</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.

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Lease liabilities:			
- Entities controlled by key management			
Ho Yu	\$ 61,496	\$ 66,373	\$ 95,056
- Associates	<u>11,220</u>	<u>9,186</u>	<u>15,574</u>
	<u>\$ 72,716</u>	<u>\$ 75,559</u>	<u>\$ 110,630</u>

G. Loans to related parties:

Loans to related parties  
Outstanding balance:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
-Associates			
Chongqing Taikang Heling	\$ 133,208	\$ 132,418	\$ 135,279
Tianjin Binhai Heling	-	-	90,186
Beijing Heling	-	-	67,639
	<u>\$ 133,208</u>	<u>\$ 132,418</u>	<u>\$ 293,104</u>

(3) Key management remuneration

	<u>Three months ended March 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	<u>\$ 143,269</u>	<u>\$ 134,553</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>	<u>Purpose</u>
Notes and accounts receivable (Note 1)	\$ 9,400,369	\$ 9,419,216	\$ 4,179,081	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 2)	398,200	600,300	300,300	Operation bonds
Guarantee deposits paid	4,437,955	4,171,701	498,761	Operation bonds and performance bonds
Restricted assets (Note 3)				
-Demand and time deposits	760,560	737,020	20,068	Short-term borrowings, performance guarantee and
-Property, plant and equipment	974,453	724,936	543,133	Long-term borrowings
	<u>\$ 15,971,537</u>	<u>\$ 15,653,173</u>	<u>\$ 5,541,343</u>	

Note1: As of March 31, 2023, guarantee notes receivables were pledged as collaterals for short-term borrowings and commercial paper payable to banks amounting to \$9,400,369.

Note 2: Shown as 'other assets'.

Note 3: Shown as 'other financial assets -current', 'other financial assets-non-current' and 'other assets'.

Note 4: As of March 31, 2023, December 31, 2022 and March 31, 2022, the certificates of deposit amounting to \$10,923 \$11,025 and \$10,245, respectively, were pledged to a financial institution to issue the letter of

credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

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

Significant contracts signed by the Group with related parties and non-related parties as of March 31, 2023 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>A.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 and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 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.
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>B.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>C.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) The subsidiary, Hotai Insurance Co., Ltd, held a board of directors' meeting on April 7, 2023 and a shareholders' meeting on May 11, 2023 to approve a reduction of capital to offset losses and a private placement of common shares for cash. Regarding the case of reducing capital to offset losses, the expected reduction amount and elimination of shares are \$4,500,000 and 450,000 thousand shares, respectively, with a reduction ratio of 16.071429%. Regarding the private placement of common shares for cash, the expected total amount of funds to be raised and the number of private placement shares are \$4,500,000 and 450,000 thousand shares, respectively, to be processed after the approvals of the Financial Supervisory Commission, Securities and Futures Bureau, and the Insurance Bureau become effective.
- (2) The subsidiary, Hotai Finance Co., Ltd, held a board of directors' meeting on May 4, 2023 to approve the following:
  - (a) Intended to acquire a 35% of equity interest in Ly Hour Leasing PLC for USD 17,000 thousand.
  - (b) Intended cash capital increase for issuance of Class B preference shares estimated fundraising upper limit of \$5,000,000.
- (3) The company participated in the cash increase of common shares of its subsidiary, Hozan Investment Co., Ltd., on May 11, 2023, with an increase in capital of \$4,800,000, and the shareholding ratio remained at 100%.

## 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(13).

### (2) Financial instruments

#### A. Financial instruments by category

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</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	\$ 5,408,905	\$ 5,601,568	\$ 9,211,417
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	8,145,410	7,888,860	9,723,971
Qualifying equity instrument	58,388	739,255	1,607,687

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
<b><u>Financial assets</u></b>			
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	14,559,380	15,629,561	29,862,932
Notes receivable	12,541,256	11,928,468	11,191,126
Accounts receivable	236,985,560	226,000,165	190,214,981
Long-term notes and accounts receivable	9,571,245	8,463,808	4,580,797
Other receivables	2,126,316	1,831,274	1,614,089
Guarantee deposits paid	4,836,155	4,772,001	799,061
Other financial assets	2,762,175	3,426,280	2,988,228
Derivative financial assets for hedging	398,909	504,827	2,719
	<u>\$ 297,393,699</u>	<u>\$ 286,786,067</u>	<u>\$ 261,797,008</u>
<b><u>Financial liabilities</u></b>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 9,040	\$ 162,608	\$ 11,656
Financial liabilities at amortized cost			
Short-term loans	108,977,793	105,333,597	70,344,783
Short-term notes and bills payable	122,467,657	114,640,213	107,191,894
Notes payable	801,861	870,114	771,484
Accounts payable	14,599,983	11,384,815	9,437,793
Accrued expenses	5,596,885	6,623,281	6,246,176
Other payables	3,704,637	1,665,754	12,582,226
Commission payable	486,776	493,435	526,083
Corporate bonds payable (including current portion)	26,200,000	22,200,000	15,200,000
Long-term borrowings(including current portion)	13,548,629	14,504,854	5,940,489
Guarantee deposits received	17,304,404	16,941,150	15,937,730
Other financial liabilities	34,607	39,598	49,316
Lease liabilities	2,454,250	2,380,827	2,101,151
Derivative financial liabilities for hedging	788,187	586,935	707,700
	<u>\$ 316,974,709</u>	<u>\$ 297,827,181</u>	<u>\$ 247,048,481</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(5).
- 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) and Note 6(4). 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, 2023			December 31, 2022		
	Foreign currency amount		Exchange rate	Foreign currency amount		Exchange rate
	(In thousands)	Book value		(In thousands)	Book value	
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD 75,963	30.4500	\$2,313,073	USD 57,655	30.7100	\$1,770,585
JPY:NTD	JPY 565,000	0.2288	129,272	JPY 517,516	0.2324	120,271
RMB:NTD	CNY 4,050	4.4403	17,983	CNY 8,465	4.4138	37,363
USD:RMB (Note)	USD -	6.8577	-	USD -	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD 270,119	30.4500	\$8,225,124	USD 213,142	30.7100	\$6,545,591
JPY:NTD	JPY 159,284	0.2288	36,444	JPY 170,164	0.2324	39,546
RMB:NTD	CNY 8,550	4.4403	37,965	CNY 13,039	4.4138	57,552
USD:RMB (Note)	USD -	6.8577	-	USD -	-	-

March 31, 2022

	Foreign currency		
	amount	Exchange	Book value
	(In thousands)	rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	USD 76,511	28.6250	\$2,190,127
JPY:NTD	JPY 716,512	0.2353	168,595
RMB:NTD	CNY 919	4.5093	4,144
USD:RMB (Note)	USD -	6.3480	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	USD 187,010	28.6250	\$5,353,161
JPY:NTD	JPY 129,088	0.2353	30,374
RMB:NTD	CNY 6,519	4.5093	29,396
USD:RMB (Note)	USD 4,800	6.3480	137,400

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, 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, 2023 and 2022, amounted to \$41,711 and \$81,136, 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, 2023			Three months ended March 31, 2022		
	Sensitivity analysis			Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 23,131	\$ -	1%	\$ 21,901	\$ -
JPY:NTD	1%	1,293	-	1%	1,686	-
RMB:NTD	1%	180	-	1%	41	-
USD:RMB (Note)	1%	-	-	1%	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 82,251	\$ -	1%	\$ 53,532	\$ -
JPY:NTD	1%	364	-	1%	304	-
RMB:NTD	1%	380	-	1%	294	-
USD:RMB (Note)	1%	-	-	1%	1,374	-

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, 2023 and 2022 would have increased/decreased by \$523,351 and \$11,637, 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, 2023, December 31, 2022 and March 31, 2022, HFC has financial instruments with off-balance-sheet credit risk amounting to \$3,341,248, \$3,779,139 and \$4,866,389, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$64,387, \$71,213 and \$86,293, 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 Finance Leasing 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 Finance Leasing Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$57,411.
- vii. Hotai Finance Co., Ltd. and its subsidiaries 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, 2023, December 31, 2022 and March 31, 2022, the provision matrix is as follows:

		Later than	Later than	Later than	Later than	Over	
<u>March 31, 2023</u>	<u>Not past due</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 120 days</u>	<u>121 to 150 days</u>	<u>151 days</u>	<u>Total</u>
Total book value	\$ 281,806,813	\$ 957,953	\$ 571,715	\$ 410,687	\$ 337,916	\$ 426,969	\$ 284,512,053
Loss allowance	\$ 3,015,975	\$ 404,375	\$ 420,478	\$ 349,929	\$ 312,971	\$ 418,969	\$ 4,922,697

		Later than	Later than	Later than	Later than	Over	
<u>December 31, 2022</u>	<u>Not past due</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 120 days</u>	<u>121 to 150 days</u>	<u>151 days</u>	<u>Total</u>
Total book value	\$ 268,604,715	\$ 794,048	\$ 458,572	\$ 303,456	\$ 305,658	\$ 490,612	\$ 270,957,061
Loss allowance	\$ 2,989,387	\$ 349,790	\$ 352,836	\$ 255,453	\$ 279,151	\$ 482,267	\$ 4,708,884

		Later than	Later than	Later than	Later than	Over	
<u>March 31, 2022</u>	<u>Not past due</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 to 120 days</u>	<u>121 to 150 days</u>	<u>151 days</u>	<u>Total</u>
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

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of March 31, 2023, December 31, 2022 and March 31, 2022 is provided in Note 12(6)A.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	<u>2023</u>	<u>2022</u>
	<u>Receivables</u>	<u>Receivables</u>
At January 1	\$ 4,780,044	\$ 3,782,588
Provision for impairment	1,018,222	581,144
Write-offs	( 811,219)	( 296,346)
Others	7,046	64,988
At December 31	<u>\$ 4,994,093</u>	<u>\$ 4,132,374</u>

Note : Including all the Group's consolidated entities.

For the three months ended March 31, 2023 and 2022, gain on recoverable bad debts amounted to \$293,001 and \$159,526, 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, 2023, December 31, 2022 and March 31, 2022, the Group's unused credit line amounted to \$121,986,185, \$140,840,395 and \$84,884,441, 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:

<u>March 31, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 85,701,284	\$ 12,799,394	\$ 11,393,234
Short-term notes and bills payable	107,033,574	1,498,983	13,935,100
Notes payable	801,861	-	-
Accounts payable	14,599,983	-	-
Accrued expenses	5,596,885	-	-
Other payables	3,704,637	-	-
Commission payable	486,776	-	-
Lease liabilities	524,695	391,522	1,785,157
Bonds payable	269,000	3,263,565	23,437,162
Long-term loans (including current portion)	2,573,787	10,477,690	503,149

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 87,839,816	\$ 12,362,302	\$ 12,713,306
Short-term notes and bills payable	90,712,225	10,989,108	12,938,880
Notes payable	870,114	-	-
Accounts payable	11,384,815	-	-
Accrued expenses	6,623,281	-	-
Other payables	1,665,754	-	-
Commission payable	493,435	-	-
Lease liabilities	347,434	252,344	1,337,248
Bonds payable	209,000	209,000	22,303,427
Long-term loans (including current portion)	2,107,891	11,555,449	849,383

Non-derivative financial liabilities:

<u>March 31, 2022</u>	<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

Derivative financial liabilities:

<u>March 31, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 188,657	\$ 599,530	\$ -
Forward exchange contracts	9,040	-	-

Derivative financial liabilities:

<u>December 31, 2022</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 174,433	\$ 412,502	\$ -
Forward exchange contracts	162,743	-	-

Derivative financial liabilities:

<u>March 31, 2022</u>	<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	-	-

- iv. Information on insurance contracts risk of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(6).

(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, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates				
	\$ 1,125,850	\$ -	\$ 169,152	\$ 1,295,002
Forward exchange contracts				
	-	132,278	-	132,278
Bond investment				
	-	1,011,039	-	1,011,039
Equity securities				
	1,354,299	-	-	1,354,299
Exchange traded funds				
	1,032,645	-	-	1,032,645
Financial instruments				
	-	583,642	-	583,642
Derivative financial assets for hedging				
	-	398,908	-	398,908
Financial assets at fair value through other comprehensive income				
Bond investment (Note)				
	-	456,588	-	456,588
Equity securities				
	<u>7,737,993</u>	<u>-</u>	<u>407,417</u>	<u>8,145,410</u>
	<u>\$11,250,787</u>	<u>\$ 2,582,455</u>	<u>\$ 576,569</u>	<u>\$14,409,811</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts				
	\$ -	9,040	\$ -	9,040
Derivative financial liabilities for hedging				
	-	<u>788,187</u>	-	<u>788,187</u>
	<u>\$ -</u>	<u>\$ 797,227</u>	<u>\$ -</u>	<u>\$ 797,227</u>

Note: Including operation bonds.

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 1,359,072	\$ -	\$ 177,738	\$ 1,536,810
Forward exchange contracts	-	52,132	-	52,132
Foreign exchange swap contracts	-	5,455	-	5,455
Bond investment	-	1,011,039	-	1,011,039
Equity securities	1,186,861	-	-	1,186,861
Exchange traded funds	1,104,396	-	-	1,104,396
Financial instruments	-	704,875	-	704,875
Derivative financial assets for hedging	-	504,827	-	504,827
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,339,555	-	1,339,555
Equity securities	7,496,985	-	391,875	7,888,860
	<u>\$ 11,147,314</u>	<u>\$ 3,617,883</u>	<u>\$ 569,613</u>	<u>\$15,334,810</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	161,205	\$ -	161,205
Foreign exchange swap contracts	-	1,403	-	1,403
Derivative financial liabilities for hedging	-	586,935	-	586,935
	<u>\$ -</u>	<u>\$ 749,543</u>	<u>\$ -</u>	<u>\$ 749,543</u>

Note: Including operation bonds.

<u>March 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<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
Derivative financial assets for hedging	-	2,719	-	2,719
Financial assets at fair value through other comprehensive income				

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond investment (Note)	-	1,907,987	-	1,907,987
Equity securities	9,345,122	-	378,849	9,723,971
	<u>\$ 15,637,592</u>	<u>\$ 4,354,804</u>	<u>\$ 853,698</u>	<u>\$20,846,094</u>
<b>Liabilities</b>				
<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	-	707,700	-	707,700
	<u>\$ -</u>	<u>\$ 719,356</u>	<u>\$ -</u>	<u>\$ 719,356</u>

Note: Including operation bonds.

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. 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

- ii. Except for financial instruments with active markets, domestic investments of the Company's subsidiary, Hotai Insurance Co., Ltd., take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value aside from infrastructure fund and real estate private placement fund that are assessed by balance sheet approach. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. The following chart is the movement of Level 3 for the three months ended March 31, 2023 and 2022:

	2023	
	Beneficiary certificates	Equity securities
At January 1	\$ 177,738	\$ 391,875
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	15,542
Recorded as gains on financial assets at fair value through profit or loss	( 8,586)	-
At March 31	<u>\$ 169,152</u>	<u>\$ 407,417</u>
	2022	
	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	16,337	-
At March 31	<u>\$ 474,849</u>	<u>\$ 378,849</u>

F. For the three months ended March 31, 2023 and 2022, 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, 2023</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	\$ 407,417	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	169,152	Net assets value	Not applicable	Not applicable	Not applicable
	<u>Fair value at December 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	\$ 391,875	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	177,738	Net assets value	Not applicable	Not applicable	Not applicable
	<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

- 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, 2023, December 31, 2022 and March 31, 2022.

(4) Other matters

In response to the impact of the COVID-19 epidemic, the subsidiary, Hotai Insurance Co., Ltd., has been selling the related insurance products since 2021. Due to the COVID-19 outbreak in mid-April 2022, the number of infected had gradually increased, and the demand for epidemic prevention insurance policies has significantly increased. After the Company considered the risks, in addition to the medical expenses, health insurance and vaccine insurance products for migrant workers infected with COVID-19, other products related to epidemic prevention insurance have been suspended on April 18, 2022. As of the date of the audit report, the claim settlement of the epidemic prevention policy has increased the catastrophe risk of the Company. The Company has carefully assessed the impact on major issues such as surplus, capital adequacy, provision for deposits and liquidity, and has made appropriate provision for indemnity and provision for insufficient premiums. The Company will continue to formulate appropriate measures in accordance with the government's epidemic prevention policies and the follow-up development of the epidemic, as well as the policy claims status, and respond appropriately, including capital adequacy and liquidity countermeasures,

in order to take into account the Company's financial structure and protection of policyholders' rights and interests.

(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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Fire insurance	\$ 100,000	\$ 50,000	\$ 50,000
Fire & A.P. insurance	100,000	50,000	50,000
Long-term residential fire insurance	100,000	50,000	50,000
Residential fire insurance	100,000	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	100,000	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. In response to the indemnity for severe and special infectious pneumonia related to epidemic prevention insurance products, in addition to establishing the related financial liquidity contingency plans, the subsidiary, Hotai Insurance Co., Ltd., also requested the Board of Directors to authorize the Chairman of the company to handle the bank financing.

(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 is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products, and they will optimize the situation in accordance with the 2023 epidemic prevention insurance financial improvement plan. Please refer to Note 12(13) for further details.

(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) The subsidiary, Hotai Insurance Co., Ltd., refers to the “Regulation of the Procedure for Asset

Assessment and Collection of Overdue Debts”. For the three months ended March 31, 2023 and 2022, the movements of allowance for loss are as follows :

	2023				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
At January 1	\$ -	\$ -	\$ 160	\$ 24,385	\$ 24,545
Provisions during the period	-	-	-	( 1,111)	( 1,111)
At March 31	\$ -	\$ -	\$ 160	\$ 23,274	\$ 23,434

  

	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
At January 1	\$ -	\$ -	\$ 160	\$ 26,115	\$ 26,275
Provisions during the period	-	-	-	4,633	4,633
At March 31	\$ -	\$ -	\$ 160	\$ 30,748	\$ 30,908

As of March 31, 2023, December 31, 2022 and March 31, 2022, the allowance for loss of abovementioned financial assets was \$23,434, \$24,545 and \$30,908, respectively, and the maximum exposure to credit risk was \$927,310, \$945,389 and \$1,136,206, respectively.

- (f) As of March 31, 2023, December 31, 2022 and March 31, 2022, 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 \$2,360,407, \$2,353,879 and \$3,659,200, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
tw AAA	\$ 713,073	\$ 797,023	\$ 866,471
tw AA+	124,656	176,899	395,407
tw AA	335,901	134,294	484,093
tw AA-	80,409	132,511	964,890
tw A+	324,138	222,298	333,269
tw A	782,230	889,064	496,813
tw A-	-	1,790	118,257
	<u>\$ 2,360,407</u>	<u>\$ 2,353,879</u>	<u>\$ 3,659,200</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.05%, 0%~0.06% and 0%~0.07%, respectively, the amounts of allowance for loss were \$601, \$797 and \$619 respectively, and the maximum exposure amounts were \$2,359,806, \$2,353,082 and \$3,658,581, 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,

2023 and 2022, the movements of allowance for loss are as follows:

	2023	2022
At January 1	\$ 797	\$ 592
Provisions (amounts reversed) during the period	( 196)	27
At March 31	<u>\$ 601</u>	<u>\$ 619</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, 2023 and 2022, 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, 2023

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 112,431	10.90
AA-	30,281	2.93
A+	649,946	62.98
A	23,629	2.29
A-	705	0.07
BBB+	7,358	0.71
Unrated	207,597	20.12
Total	<u>\$ 1,031,947</u>	<u>100.00</u>

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	<u>\$ 692,562</u>	<u>100.00</u>

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.

(c) Indemnity for severe and special infectious pneumonia related to epidemic prevention insurance products

In response to the indemnity for severe and special infectious pneumonia related to epidemic prevention insurance products, Hotai Insurance Co., Ltd., established the related financial liquidity contingency plans. Please refer to Note 12(15) for further details.

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, 2023</u>				
Insurance liabilities	\$ 15,102,106	\$ 3,086,646	\$ 193,154	\$ 1,660,217
Payables	1,671,356	-	-	-
Deposits-in	2,655	2,096	-	-
Lease liabilities	52,402	11,272	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2022</u>				
Insurance liabilities	\$ 20,486,863	\$ 2,993,006	\$ 187,066	\$ 1,648,716
Payables	1,673,583	-	-	-
Deposits-in	2,703	2,085	-	-
Lease liabilities	56,640	21,350	-	-

	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	-	-

ii. Derivatives

On March 31, 2023, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

Market risk refers to the risk of changes in values or cash flows of accounts on the subsidiary, Hotai Insurance Co., Ltd.'s financial statements due to changes in financial markets. Major risk factors are as follows:

- Equity market prices
- Interest rate and credit spreads
- Currency exchange rates

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of “assets allocation strategy”. In compliance with the subsidiary’s “Risk Management Policy”, the subsidiary’s “Investment Policy Statement”, and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.’s current risk management mechanism in terms of individual risk factor:

(a) Price risk

The price risk is arising from the uncertainty of the prices of beneficiary certificates. However, the subsidiary Hotai Insurance Co., Ltd. has appropriately spread the price risk through diversified portfolio to decrease the risk of investments centralised in any specific industry or issuance institution.

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

		March 31, 2023	
		Change of variables	Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 231,848
	Decrease in price	10%	( 231,848)
		December 31, 2022	
		Change of variables	Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 225,595
	Decrease in price	10%	( 225,595)
		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)

(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, 2023	
		Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 47,069)
	Decrease in interest rate	100 basis point	47,069
		December 31, 2022	
		Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 64,830)
	Decrease in interest rate	100 basis point	64,830
		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

(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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Foreign exchange rate	30.44	30.73	28.58

The US dollar assets and liabilities are shown as below:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
USD Assets	USD 7,017 thousand	USD 29,879 thousand	USD 51,813 thousand
USD Liabilities	USD 3,319 thousand	USD 635 thousand	USD 1,054 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, related exchange contracts have been terminated on February 24, 2023.

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:

	<u>March 31, 2023</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 5,629)
	Depreciate 5% against NTD	5,629
	<u>December 31, 2022</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 14,181)
	Depreciate 5% against NTD	14,181
	<u>March 31, 2022</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 38,318)
	Depreciate 5% against NTD	38,318

## (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, 2023 and 2022, 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:

Line of Business	Three months ended March 31, 2023	
	Premiums revenue	Retention premiums
Fire insurance	\$ 350,191	\$ 145,890
Engineering insurance	93,176	28,465

Line of Business	Three months ended March 31, 2022	
	Premiums revenue	Retention premiums
Fire insurance	\$ 596,234	\$ 253,657
Engineering insurance	42,562	12,920

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, 2023 and 2022 and the result is shown below:

Line of Business	Three months ended March 31, 2023			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	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	\$ 57,662	\$ 48,060	\$ 57,662	\$ 48,060
Automobile third party liability insurance	32,055	27,251	32,055	27,251
Personal property insurance	826	489	826	489
Commercial property insurance	17,424	5,709	17,424	5,709
Liability insurance	15,837	11,759	15,837	11,759
Marine cargo insurance	3,000	1,987	3,000	1,987
Engineering insurance	2,948	755	2,948	755
Personal accident insurance	11,364	10,954	11,364	10,954
Health insurance	6,838	6,602	6,838	6,602
Foreign inward reinsurance	111	107	111	107

Three months ended March 31, 2022

Line of Business	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	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

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, 2023 and 2022.

C. Loss development pattern

As of March 31, 2023, December 31, 2022 and March 31, 2022, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows:

(a) Direct business

March 31, 2023	Accident Year					
	Before 2019	2020	2021	2022	Three months ended March 31, 2023	Total
Development Year						
End of underwriting year	\$ 31,265,039	\$ 4,699,953	\$ 5,817,755	\$ 41,070,594	\$ 4,418,976	
One year after underwriting year	30,978,084	4,769,156	5,627,843	41,616,098	-	
Two years after underwriting year	30,801,697	4,489,255	5,776,111	-	-	
Three years after underwriting year	30,449,080	4,570,512	-	-	-	
Four years after underwriting year	30,474,131	-	-	-	-	
Estimated ultimate losses	30,474,131	4,570,512	5,776,111	41,616,098	4,418,976	
Paid losses	( 29,764,084)	( 3,979,231)	( 4,444,352)	( 38,628,998)	( 1,969,466)	
Total reserve	\$ 710,047	\$ 591,281	\$ 1,331,759	\$ 2,987,100	\$ 2,449,510	\$ 8,069,697
Adjustment item (Note)						512,257
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 8,581,954

December 31, 2022	Accident Year					
	Before 2018	2019	2020	2021	2022	Total
Development Year						
End of underwriting year	\$ 27,880,901	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	\$ 41,300,575	
One year after underwriting year	27,532,055	3,730,672	4,769,156	5,807,080	-	
Two years after underwriting year	27,247,411	3,690,308	4,606,421	-	-	
Three years after underwriting year	27,111,389	3,554,412	-	-	-	
Four years after underwriting year	26,957,435	-	-	-	-	
Estimated ultimate losses	26,957,435	3,554,412	4,606,421	5,807,080	41,300,575	
Paid losses	( 26,362,593)	( 3,211,790)	( 3,945,587)	( 4,437,959)	( 33,427,786)	
Total reserve	\$ 594,842	\$ 342,622	\$ 660,834	\$ 1,369,121	\$ 7,872,789	\$ 10,840,208
Adjustment item (Note)						538,798
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 11,379,006

March 31, 2022

Accident Year

<u>Development Year</u>	<u>Accident Year</u>				<u>Three months ended</u>	<u>Total</u>
	<u>Before 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>March 31, 2022</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>

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

March 31, 2023

Accident Year

<u>Development Year</u>	<u>Accident Year</u>				<u>Three months ended</u>	<u>Total</u>
	<u>Before 2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>March 31, 2023</u>	
End of underwriting year	\$ 21,917,429	\$ 4,058,783	\$ 4,565,828	\$ 39,328,137	\$ 4,034,793	
One year after underwriting year	21,690,012	4,130,722	4,387,083	39,831,362	-	
Two years after underwriting year	21,607,471	3,877,850	4,521,591	-	-	
Three years after underwriting year	21,373,100	3,954,140	-	-	-	
Four years after underwriting year	21,387,876	-	-	-	-	
Estimated ultimate losses	21,387,876	3,954,140	4,521,591	39,831,362	4,034,793	
Paid losses	( 20,963,695)	( 3,540,205)	( 3,836,279)	( 37,897,736)	( 1,917,740)	
Total reserve	<u>\$ 424,181</u>	<u>\$ 413,935</u>	<u>\$ 685,312</u>	<u>\$ 1,933,626</u>	<u>\$ 2,117,053</u>	\$ 5,574,107
Adjustment item (Note)						352,642
						<u>\$ 5,926,749</u>

December 31, 2022

Accident Year

<u>Development Year</u>	<u>Accident Year</u>					<u>Total</u>
	<u>Before 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 39,536,977	
One year after underwriting year	18,702,131	3,224,195	4,130,722	4,551,010	-	
Two years after underwriting year	18,465,817	3,193,907	3,991,743	-	-	
Three years after underwriting year	18,413,564	3,067,559	-	-	-	
Four years after underwriting year	18,367,442	-	-	-	-	
Estimated ultimate losses	18,367,442	3,067,559	3,991,743	4,551,010	39,536,977	
Paid losses	( 17,915,061)	( 2,861,564)	( 3,519,725)	( 3,831,320)	( 32,897,564)	
Total reserve	<u>\$ 452,381</u>	<u>\$ 205,995</u>	<u>\$ 472,018</u>	<u>\$ 719,690</u>	<u>\$ 6,639,413</u>	\$ 8,489,497
Adjustment item (Note)						399,775
						<u>\$ 8,889,272</u>

March 31, 2022

Accident Year

<u>Development Year</u>	<u>Accident Year</u>				<u>Three months ended</u>	<u>Total</u>
	<u>Before 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>March 31, 2022</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)						290,597
						<u>\$ 3,764,589</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

Based on the table above, the estimated cumulative loss amount of each accident year is estimated based on the current available information, however, the actual amounts may be deviated from the estimation due to the loss development in the following years.

(8) The subsidiary-Hotai Insurance Co., Ltd. assets and liabilities recoverable or payable within or over 12 months after the balance sheet date are as follows:

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>March 31, 2023</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 1,915,717	\$ 1,915,717	\$ -
Receivables	844,008	844,008	-
Assets held for sale	283,710	283,710	-
Current income tax assets	6,544	-	6,544
Financial assets at fair value through profit or loss	2,829,523	2,318,484	511,039
Financial assets at fair value through other comprehensive income	58,388	-	58,388
Other financial assets	1,571,873	1,571,873	-
Right-of-use assets	62,396	-	62,396
Investment property	398,109	-	398,109
Reinsurance contract assets	4,702,529	3,394,591	1,307,938
Property and equipment	3,697,964	-	3,697,964
Intangible assets	140,709	-	140,709
Deferred income tax assets	1,990,287	-	1,990,287
Other assets	4,675,405	352,972	4,322,433
<u>Liabilities</u>			
Payables	\$ 1,671,357	\$ 1,671,357	\$ -
Financial liabilities at fair value through profit or loss	5,000,000	5,000,000	-
Insurance liabilities	20,042,123	15,102,106	4,940,017
Lease liabilities	63,163	52,402	10,761
Deferred income tax liabilities	124,234	-	124,234
Other liabilities	192,629	190,533	2,096

	Book value	Within 12 months	Over 12 months
<u>December 31, 2022</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 1,617,596	\$ 1,617,596	\$ -
Receivables	870,446	870,446	-
Assets held for sale	283,710	283,710	-
Current income tax assets	5,627	-	5,627
Financial assets at fair value through profit or loss	2,772,443	2,261,404	511,039
Financial assets at fair value through other comprehensive income	739,255	216,321	522,934
Other financial assets	1,666,176	1,666,176	-
Right-of-use assets	76,697	-	76,697
Investment property	398,747	-	398,747
Reinsurance contract assets	4,166,241	2,964,445	1,201,796
Property and equipment	3,612,574	-	3,612,574
Intangible assets	115,634	-	115,634
Deferred income tax assets	2,049,015	-	2,049,015
Other assets	4,660,176	537,836	4,122,340
<u>Liabilities</u>			
Payables	\$ 1,673,583	\$ 1,673,583	\$ -
Financial liabilities at fair value through profit or loss	1,403	1,403	-
Insurance liabilities	25,315,651	20,486,863	4,828,788
Lease liabilities	77,250	56,640	20,610
Deferred income tax liabilities	129,950	-	129,950
Other liabilities	245,210	243,125	2,085
	Book value	Within 12 months	Over 12 months
<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	123,437	123,437	-
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

(9) The subsidiary-Hotai Insurance Co., Ltd.'s related information on commissioned investments

- A. 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, to \$1,200,000 in June 2021 and to \$900,000 in May 2022. As of July 27, 2022, the company terminated the discretionary investment management contract with Uni-President Assets Management Corp.
- B. 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. The company adjusted the commissioned investment amounts in Cathy Securities Investment Trust to \$400,000 in September 2022.
- C. 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. The company adjusted the commissioned investment amounts in JIH SUM SECURITIES CO., LTD. to \$900,000 in May 2022 and to 600,000 in March 2023.
- D. 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. In July 2022, the company terminated the commissioning of the domestic investments in various bonds. In February 24, 2023, the company terminated the exchange contracts included discretionary commission with JPMorgan.

(10) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention earned premiums is shown below:

Three months ended March 31, 2023						
<u>Category of insurance</u>	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	\$ 137,361	\$ 46,991	\$ 56,579	\$ 127,773	\$ 5,446	\$ 122,327
Elective insurance	3,198,031	120,235	1,056,707	2,261,559	( 19,769)	2,281,328
	3,335,392	167,226	1,113,286	2,389,332	( 14,323)	2,403,655
Discount	2	-	-	2	-	2
	<u>\$ 3,335,394</u>	<u>\$ 167,226</u>	<u>\$ 1,113,286</u>	<u>\$ 2,389,334</u>	<u>(\$ 14,323)</u>	<u>\$ 2,403,657</u>
Three months ended March 31, 2022						
<u>Category of insurance</u>	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>

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

Three months ended March 31, 2023				
<u>Category of insurance</u>	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 51,811	\$ 37,624	\$ 29,614	\$ 59,821
Elective insurance	7,202,837	205,490	269,997	7,138,330
	<u>\$ 7,254,648</u>	<u>\$ 243,114</u>	<u>\$ 299,611</u>	<u>\$ 7,198,151</u>

  

Three months ended March 31, 2022				
<u>Category of insurance</u>	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 69,551	\$ 36,049	\$ 40,924	\$ 64,676
Elective insurance	1,186,860	2,230	140,996	1,048,094
	<u>\$ 1,256,411</u>	<u>\$ 38,279</u>	<u>\$ 181,920</u>	<u>\$ 1,112,770</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, 2023</u>	<u>December 31, 2022</u>	<u>March 31, 2022</u>
Assets			
Cash and cash equivalents	\$ 1,801,783	\$ 1,765,189	\$ 1,686,492
Notes receivable	3,628	6,902	2,749
Premiums receivable	8,070	10,572	6,542
Claims recoverable from reinsurers	15,862	19,076	12,517
Due from reinsurance and ceding companies	15,263	14,901	27,222
Ceded unearned premium reserve	111,910	106,984	94,750
Ceded claim reserve	161,358	140,743	128,251
Temporary payments and suspense accounts	46	-	-
Total assets	<u>\$ 2,117,920</u>	<u>\$ 2,064,367</u>	<u>\$ 1,958,523</u>
Liabilities			
Claims payable	\$ 4,631	\$ 800	\$ 13,420
Due to reinsurance and ceding companies	23,229	32,715	17,445
Unearned premium reserve	287,978	277,606	252,726
Claims reserve	397,395	360,388	332,876
Special reserve	1,401,899	1,390,444	1,341,988
Temporary payments and suspense accounts	2,788	2,414	68
Total liabilities	<u>\$ 2,117,920</u>	<u>\$ 2,064,367</u>	<u>\$ 1,958,523</u>

As of March 31, 2023, December 31, 2022 and March 31, 2022, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,545,474, \$1,666,707 and \$1,543,113, respectively, shown as other financial assets in the balance sheets.

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

	Three months ended March 31,	
	2023	2022
Operating revenues		
Written premiums	\$ 94,296	\$ 77,905
Reinsurance premiums	46,991	42,923
Less: Reinsurance premiums ceded	( 56,579)	( 46,744)
Net change in unearned premium reserve	( 5,446)	( 4,134)
Retention earned premiums	79,262	69,950
Interest income	5,040	2,488
	<u>\$ 84,302</u>	<u>\$ 72,438</u>
Operating costs		
Claim expenditures	\$ 51,811	\$ 69,551
Reinsurance claim expenditures	37,624	36,049
Less: Reinsurance claims recovery	( 29,614)	( 40,924)
Retention claim expenditures	59,821	64,676
Net change in claims reserve	16,392	( 13,378)
Net change in special reserve	11,455	24,037
	<u>\$ 87,668</u>	<u>\$ 75,335</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". Currently, the RBC ratio is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products. To comply with the regulations of the "Regulations Governing Capital Adequacy of Insurance Enterprises", the

Company prepared a financial plan for epidemic prevention and insurance for 2022, and submitted it to the Competent Authorities for approval on June 7, 2022 along with applying for the capital increase. Please refer to Note 4(3) for further details. In order to strengthen the capital and comply with the requirement of “Regulations Governing Capital Adequacy of Insurance Enterprises”, the Company will propose and execute the financial plans in the first half of 2023.

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, 2023, December 31, 2022 and March 31, 2022 were (16.90%), (19.14%) and 31.09 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, 2023</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 3,706,854	\$ 3,706,854	\$ -
Current financial assets for hedging	398,909	76,384	322,525
Accounts and notes receivable, net	236,094,800	86,966,524	149,128,276
Other receivables	116,910	116,910	-
Inventories	4,348	4,348	-
Prepayments	7,240,016	5,596,021	1,643,995
Other current financial assets	348,785	348,785	-
<u>Liabilities</u>			
Short-term borrowings	83,523,293	59,735,427	23,787,866
Short-term notes and bills payable	112,477,243	97,043,159	15,434,084
Current financial liabilities for hedging	788,187	188,657	599,530
Notes payable	773,856	773,856	-
Accounts payable (including related parties)	481,412	481,412	-
Other payables	5,194,869	5,194,869	-
Current income tax liabilities	1,026,371	1,026,371	-
Lease liabilities-current	122,156	122,156	-
Bonds payable	26,200,000	-	26,200,000
Financial guarantee liabilities-current	34,607	34,607	-
Guarantee deposits received-current	4,403,589	1,726,738	2,676,851
Other current liabilities, others	56,263	56,263	-

		Within	Over
<u>December 31, 2022</u>	<u>Book value</u>	<u>12 months</u>	<u>12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,382,775	\$ 2,382,775	\$ -
Current financial assets for hedging	504,827	182,211	322,616
Accounts and notes receivable, net	226,269,028	83,368,938	142,900,090
Other receivables	82,568	82,568	-
Inventories	5,979	5,979	-
Prepayments	6,886,170	5,285,964	1,600,206
Other current financial assets	373,119	373,119	-
<u>Liabilities</u>			
Short-term borrowings	83,933,343	59,400,123	24,533,220
Short-term notes and bills payable	104,986,596	81,058,607	23,927,989
Current financial liabilities for hedging	586,800	174,433	412,367
Notes payable	762,215	762,215	-
Accounts payable (including related parties)	514,386	514,386	-
Other payables	3,165,332	3,165,332	-
Current income tax liabilities	724,843	724,843	-
Lease liabilities-current	114,848	114,848	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	39,598	39,598	-
Guarantee deposits received-current	4,275,142	1,752,265	2,522,877
Other current liabilities, others	65,667	65,667	-
		Within	Over
<u>March 31, 2022</u>	<u>Book value</u>	<u>12 months</u>	<u>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	12,515	-
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	-

(15) Other Information - Hotai Insurance Co., Ltd.

In response to the impact of the COVID-19 epidemic, the subsidiary, Hotai Insurance Co., Ltd., has been selling the related insurance products since 2021. Due to the COVID-19 outbreak in mid-April 2022, the number of infected had gradually increased, and the demand for epidemic prevention insurance policies has significantly increased. After the Company considered the risks, in addition to the medical expenses, health insurance and vaccine insurance products for migrant workers infected with COVID-19, other products related to epidemic prevention insurance have been suspended on April 18, 2022. As of the date of the audit report, the claim settlement of the epidemic prevention policy has increased the catastrophe risk of the Company. The Company has carefully assessed the impact on major issues such as surplus, capital adequacy, provision for deposits and liquidity, and has made appropriate provision for indemnity and provision for insufficient premiums. The Company will continue to formulate appropriate measures in accordance with the government's epidemic prevention policies and the follow-up development of the epidemic, as well as the policy claims status, and respond appropriately, including capital adequacy and liquidity countermeasures, in order to take into account the Company's financial structure and protection of policyholders' rights and interests. The countermeasures of the subsidiary, Hotai Insurance Co., Ltd., included: disposal of property, applying for external borrowing and conducting a capital increase.

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, 2023:

<u>Company Name</u>	<u>Derivative Instruments</u>	<u>Contract Amount (in thousands)</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 431,207	2023/4/10~ 2023/9/8	\$ 122,630	\$ 122,630
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 58,800,000	2023/8/7~ 2024/9/9	( 711,803)	( 711,803)
Hotai Finance Co., Ltd.	Cross currency swaps	EUR 75,000	2024/9/12	183,877	183,877
Hoyun International Finance Leasing Co., Ltd.	Cross currency swaps	USD 63,500	2024/8/30~ 2025/1/13	135,477	135,477
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Cross currency swaps	USD 4,800	2024/10/18	3,171	3,171
Ho Tai Development Co., Ltd.	Forward exchange contracts	GBP 943	2023/5/5	608	608

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:

- (a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- (b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- (c) The amount of property transactions and the amount of the resulting gains or losses: None.
- (d) 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.
- (e) 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.
- (f) 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, 2023, the Company's self-owned capital ratio was 54%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Property insurance segments: engaging in various property insurance.
- E. Overseas sales agent segment: Sales agent in the mainland Chinese market.
- F. 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:

Items	Three months ended March 31, 2023			
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 37,619,844	\$ 4,415,139	\$ 7,530,407	\$ 2,576,602
Inter-segment revenue (Note)	3,955,534	157,782	325,364	195,112
Total segment revenue	<u>\$ 41,575,378</u>	<u>\$ 4,572,921</u>	<u>\$ 7,855,771</u>	<u>\$ 2,771,714</u>
Segment income (loss) (Note)	<u>\$ 5,785,397</u>	<u>\$ 1,145,806</u>	<u>\$ 703,349</u>	<u>\$ 272,668</u>
Segment assets	<u>\$ 86,458,472</u>	<u>\$ 236,016,404</u>	<u>\$ 80,739,572</u>	<u>\$ 23,177,162</u>

Items	Three months ended March 31, 2023			
	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 4,018,381	\$ 11,810,222	\$ -	\$ 67,970,595
Inter-segment revenue (Note)	575,300	2,470,949	( 7,680,041)	-
Total segment revenue	<u>\$ 4,593,681</u>	<u>\$ 14,281,171</u>	<u>(\$ 7,680,041)</u>	<u>\$ 67,970,595</u>
Segment income (loss) (Note)	<u>\$ 245,093</u>	<u>\$ 1,903,346</u>	<u>(\$ 2,723,560)</u>	<u>\$ 7,332,099</u>
Segment assets	<u>\$ 33,011,593</u>	<u>\$ 59,969,735</u>	<u>(\$ 92,881,865)</u>	<u>\$ 426,491,073</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.

Three months ended March 31, 2022				
Items	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 32,506,454	\$ 3,403,395	\$ 6,352,565	\$ 2,568,598
Inter-segment revenue (Note)	3,603,219	160,514	286,727	43,195
Total segment revenue	<u>\$ 36,109,673</u>	<u>\$ 3,563,909</u>	<u>\$ 6,639,292</u>	<u>\$ 2,611,793</u>
Segment income (loss) (Note)	<u>\$ 4,919,892</u>	<u>\$ 1,057,388</u>	<u>\$ 645,602</u>	<u>\$ 310,100</u>
Segment assets	<u>\$ 98,227,107</u>	<u>\$ 188,629,327</u>	<u>\$ 94,882,290</u>	<u>\$ 23,311,665</u>

Three months ended March 31, 2022				
Items	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 5,842,707	\$ 10,303,035	\$ -	\$ 60,976,754
Inter-segment revenue (Note)	972,845	2,450,917	( 7,517,417)	-
Total segment revenue	<u>\$ 6,815,552</u>	<u>\$ 12,753,952</u>	<u>(\$ 7,517,417)</u>	<u>\$ 60,976,754</u>
Segment income (loss) (Note)	<u>\$ 1,207,068</u>	<u>\$ 2,644,863</u>	<u>(\$ 4,166,148)</u>	<u>\$ 6,618,765</u>
Segment assets	<u>\$ 33,616,663</u>	<u>\$ 63,485,860</u>	<u>(\$ 133,857,246)</u>	<u>\$ 368,295,666</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, 2023  
(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 March		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
					31, 2023	March 31, 2023							Item	Value			
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 578,024	\$ 577,234	\$ 7,992	2.15%	Short-term financing	-	Operations	\$ -	None	-	\$ 1,035,416	\$ 2,070,833	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	266,780	266,416	22,068	2.15%	"	-	"	-	"	-	416,796	833,591	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	133,390	133,208		2.15%	"	-	"	-	"	-	162,191	324,382	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	444,634	444,026	48,532	2.15%	"	-	"	-	"	-	646,934	1,293,868	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	564,685	563,914	110,651	2.15%	"	-	"	-	"	-	1,000,974	2,001,948	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,003	7,992		2.15%	"	-	"	-	"	-	11,388	22,777	"
7	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,559	7,548	7,104	2.15%	"	-	"	-	"	-	22,708	45,416	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	168,961	168,730		2.15%	"	-	"	-	"	-	289,236	578,471	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	177,853	177,611	131,876	2.15%	"	-	"	-	"	-	333,091	666,183	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	133,390	133,208	103,369	2.15%	"	-	"	-	"	-	197,324	394,647	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Services Co., Ltd.	"	Y	400,170	399,624	127,524	2.15%	"	-	"	-	"	-	463,558	927,116	Note 5
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	355,707	355,221	89	2.15%	"	-	"	-	"	-	500,858	1,001,715	Note 1
13	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	244,548	244,215	95,110	2.15%	"	-	"	-	"	-	323,524	647,048	"
14	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	88,927	88,805	4,662	2.15%	"	-	"	-	"	-	124,350	248,700	"
15	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	289,012	288,617	243,149	2.15%	"	-	"	-	"	-	333,274	666,547	"
16	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	333,475	333,020	210,868	2.15%	"	-	"	-	"	-	430,936	861,873	"
17	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,622	155,409	3,241	2.15%	"	-	"	-	"	-	259,570	519,140	"
18	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	35,571	35,522	35,522	2.15%	"	-	"	-	"	-	50,015	100,030	"
19	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	11,116	11,101		2.15%	"	-	"	-	"	-	30,399	60,797	"
20	Tianjin Ho-Yu Motor Sales And Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,232	22,201	16,962	2.15%	"	-	"	-	"	-	45,157	90,134	Note 3
21	Shanghai Fengyi Construction Decoration Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	26,678	26,642	26,642	2.15%	"	-	"	-	"	-	127,552	255,104	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	533,560	532,832	132,449	2.70%	"	-	"	-	"	-	9,484,213	18,968,426	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	200,085	199,812		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	177,853	177,611	162,420	2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	266,780	266,416		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	88,927	88,805		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,893	8,881		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	"	Y	13,339	13,321		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the three months	Balance at March 31, 2023	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
					ended March 31, 2023								Item	Value			
22	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Other receivables	Y	\$ 222,317	\$ 222,013	\$ 126,992.00	2.70%	Short-term financing	-	Operations	\$ -	None	-	\$ 9,484,213	\$ 18,968,426	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	177,853	177,611		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	44,463	44,403		3.20%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	400,170	399,624	-	2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	333,475	333,020		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	133,390	133,208		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	222,317	222,013		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	333,475	333,020		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	222,317	222,013		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	155,622	155,409		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd.	"	Y	44,463	44,403		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	"	Y	133,390	133,208		2.70%	"	-	"	-	"	-	9,484,213	18,968,426	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	Y	155,622	155,409		2.70%	"	-	"	-	"	-	1,896,843	3,793,685	Note 4
22	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	"	Y	133,390	133,208	63,096	2.70%	"	-	"	-	"	-	1,896,843	3,793,685	"
22	Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	"	Y	88,927	88,805		2.70%	"	-	"	-	"	-	1,896,843	3,793,685	"
22	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	889,267	888,053	888,053	3.20%	"	-	"	-	"	-	1,896,843	3,793,685	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	133,390	133,208	133,208	3.20%	"	-	"	-	"	-	1,896,843	3,793,685	"
23	Hoyun International Lease Co. Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	222,317	222,013		4.10%	"	-	"	-	"	-	5,190,239	10,380,478	Note 6
24	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Y	2,000,000	2,000,000		1.59%	"	-	"	-	"	-	2,843,204	5,686,407	Note 7
24	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Y	2,000,000	2,000,000		1.59%	"	-	"	-	"	-	2,843,204	5,686,407	"
25	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	Y	30,000	30,000	30,000	2.32%	"	-	"	-	"	-	97,123	194,245	Note 8
25	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	"	Y	40,000	40,000	40,000	2.32%	"	-	"	-	"	-	97,123	194,245	"
25	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	Y	30,000	30,000	30,000	2.32%	"	-	"	-	"	-	97,123	194,245	"
26	He Jing Co., Ltd.	A Co., Ltd.	Accounts receivable	Y	20,000	20,000		5.00%	"	-	"	-	Stock	\$ 29,205	92,725	185,451	Note 9
26	He Jing Co., Ltd.	B Co., Ltd.	"	Y	30,000	30,000	29,215	5.00%	"	-	"	-	"	36,000	92,725	185,451	"

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 creditor (Tianjin Ho-Yu Motor Sales and Service Co., Ltd. and Shanghai Fengyi Construction Decoration Co., Ltd.) and borrower (Hotong Motor Investment 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 creditor (HOTONG MOTOR INVESTMENT CO., LTD.) and borrower (Tianjin Ho-Yu Motor Sales and Service Co., Ltd., Qingdao Heling Lexus Automobile Sales Service Co., Ltd., 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 5: The limit on total loans to the creditor (Chongqing Heling Lexus Motor Sales & Service Co.,Ltd.) and borrower (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 6: For loans granted by Hoyun International Lease Co., Ltd. to foreign companies whose voting rights are 100% owned directly and indirectly by the parent company, ceiling on total loans granted is 200% of the total shareholders' equity and limit on loans granted to a single party is 100% of the total shareholders' equity.

Note 7: For the short-term financing granted by the creditor (Hotai Finance Co., Ltd.) to the borrower (He Jing Co., Ltd. and He Jun Energy Co., Ltd.) for working capital needs, ceiling on total loans granted is 20% of net worth and limit on loans granted to a single party is 10% of net worth as prescribed in the Hotai Finance Co., Ltd.'s "Procedures for Provision of Loans".

Note 8: For the short-term financing granted by the creditor (He Jun Energy Co., Ltd.) to the borrower (Chaoyang Energy Co., Ltd., Guang Yang Energy Co., Ltd. and XianYao Energy Co., Ltd.) for working capital needs, ceiling on total loans granted is 20% of net worth and limit on loans granted to a single party is 10% of net worth as prescribed in the Hotai Finance Co., Ltd.'s "Procedures for Provision of Loans".

Note 9: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower (A and B) for working capital needs, ceiling on total loans granted is 20% of net worth and limit on loans granted to a single party is 10% of net worth.

Ho Tai Motor Co., Ltd.  
Provision of endorsements and guarantees to others  
Three months ended March 31, 2023

(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, 2023	Outstanding endorsement/ guarantee amount at March 31, 2023	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											
0	Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Note 4.b	\$ 13,881,010	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	10.81%	\$ 23,135,017	Y	N	N	Note 2
0	Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	13,881,010	400,000	400,000	90,000	-	0.86%	23,135,017	Y	N	N	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Note 4.a	28,432,035	2,223,168	2,220,132	742,581	-	7.81%	28,432,035	Y	N	Y	Note 3
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	28,432,035	507,471	507,472	316,505	-	1.78%	28,432,035	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	28,432,035	2,000,000	2,000,000	150,000	-	7.03%	28,432,035	Y	N	N	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	28,432,035	10,500,000	10,500,000	8,650,000	-	36.93%	28,432,035	Y	N	N	"

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

1. The Company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on the Company's accumulated endorsement/guarantee is 50% of the Company's stockholders' equity; limit on endorsement/guarantee to a single party is 30% of the Company's stockholders' equity.

Note 3: For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of its total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity. The net asset value is based on the latest financial statements reviewed by auditors

Note 4: Relationship between the endorser/guarantor:

- a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
- b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Ho Tai Motor Co., Ltd.  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Three months ended March 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

Securities held by	Type and name of securities	the securities issuer	General ledger account	As of March 31, 2023				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	21,132,585	\$ 697,375	0.15%	\$ 697,375		
	- Toyota Motor Corporation	-	"	15,956,000	6,863,378	0.10%	6,863,378		
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	175,045	0.00%~0.42%	175,045		
	Taian Insurance Co., Ltd. Etc.	-	"	-	347,726	0.42%~9.27%	347,726		
				Total		\$ 8,083,524		\$ 8,083,524	
		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	1,151,500	538,065	0.01%	495,311	
				Valuation adjustment of financial assets		(42,754)	-	-	
				Total		\$ 995,311		\$ 995,311	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,024	0.50%	\$ 4,024		
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	952,327	\$ 10,000	-	\$ 10,025		
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		25	-	-		
			Total		\$ 10,025		\$ 10,025		
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,157	0.06%~0.50%	\$ 4,157		
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	35,338,389	\$ 370,000	-	\$ 372,011		
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		2,011	-	-		
			Total		\$ 372,011		\$ 372,011		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,195	-	\$ 2,195		
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	4,157	0.06%~0.50%	4,157		
			Total		\$ 6,352		\$ 6,352		
		PSC DSU 100% Principle Guaranteed (USD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 233,642	-	\$ 234,663	
		PSC DSU 100% Principle Guaranteed (TWD)	Not applicable	"	-	350,000	-	350,000	
			Valuation adjustment of financial assets		1,021	-	-		
			Total		\$ 584,663		\$ 584,663		
Ho Tai Service & Marketing Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	1,853,787	\$ 22,000	-	\$ 22,599		
	- BOT Money Market Fund		Valuation adjustment of financial assets		599	-	-		
			Total		\$ 22,599		\$ 22,599		
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,024	0.50%	\$ 4,024		
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,600,000	\$ 16,004	8.00%	\$ 16,004		
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 4,024	0.50%	\$ 4,024		
Shanghai Ho-Yu (BVI)	YU-TU(BVI)Finance Investment Corporation	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 23,300	10.48%	\$ 23,300		

Securities held by	Type and name of securities	the securities issuer	General ledger account	As of March 31, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Connected Co., Ltd	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	9,550,095	\$ 100,000	-	\$ 100,535	
				14,136,388	180,000	-	180,686	
	Beneficiary certificates - Mega Diamond Money Market Fund	Not applicable	"	Valuation adjustment of financial assets		1,221	-	-
				Total	\$	281,221	\$	281,221
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	4,801,134	\$ 50,269	-	\$ 50,542	
				7,855,322	100,000	-	100,404	
	Beneficiary certificates - Mega Diamond Money Market Fund Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	"	458,630	5,108	-	5,141	
				Valuation adjustment of financial assets		710	-	-
Total	\$	156,087	\$	156,087				
ChyuanAn Transport Co.,Ltd	Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	900,181	\$ 10,027	-	\$ 10,091	
				Valuation adjustment of financial assets		64	-	-
				Total	\$	10,091	\$	10,091
YuCheng Transport Co.,Ltd	Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	1,346,680	\$ 15,000	-	\$ 15,097	
				Valuation adjustment of financial assets		97	-	-
				Total	\$	15,097	\$	15,097

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, 2023  
(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, 2023		Addition		Disposal			Gain (loss) on disposal	Balance as at March 31, 2023		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount	
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Investments accounted for using equity method - common stocks	Heng Fong Energy Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	Note 2
Hotai Finance Co.,Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	48,288,184	800,000	48,288,184	800,053	800,000	53	-	-	
Hotai Finance Co.,Ltd.	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	24,074,776	400,000	24,074,776	400,024	400,000	24	-	-	
Hotai Finance Co.,Ltd.	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	44,952,636	550,000	44,952,636	550,031	550,000	31	-	-	
Hotai Finance Co.,Ltd.	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	19,465,225	300,000	19,465,225	300,018	300,000	18	-	-	
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	21,794,089	300,000	-	-	21,794,089	300,041	300,000	41	-	-	
Ho Tai Development Co., Ltd.	PSC DSU 100% Principle Guaranteed (USD)	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	303,187	-	297,679	-	370,140	367,224	2,916	-	234,663	
Ho Tai Development Co., Ltd.	PSC DSU 100% Principle Guaranteed (TWD)	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	400,000	-	350,000	-	400,712	400,000	712	-	350,000	

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, 2023  
(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(sale)	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	\$ 7,659,625	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 533,233	16%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	6,996,614	18%	"	"	"	487,262	14%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	5,692,437	15%	"	"	"	426,797	13%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	5,275,392	14%	"	"	"	399,090	12%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	5,235,771	14%	"	"	"	297,147	9%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	4,555,530	12%	"	"	"	404,000	12%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	951,678	2%	"	Not applicable	"	626,575	18%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	755,371	2%	"	Normal	"	57,314	-	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	694,326	2%	"	"	"	60,049	-	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	222,204	1%	Collection at sight	"	"	19,040	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	16,720,054	43%	Closes its accounts 15 days after the end of each month	Not applicable	"	( 7,354,276)	61%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	11,695,473	30%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	( 1,082,826)	9%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	485,529	1%	Closes its accounts 16 days after the end of each month	"	"	( 224,682)	2%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	"	1,053,092	3%	Closes its accounts 15 days after the end of each month	"	"	( 313,545)	3%	

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(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management	Purchases	\$ 313,170	1%	Closes its accounts 15 days after the end of each month	Not applicable	Normal	(\$ 131,079)	1%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	260,136	1%	Closes its accounts 16 days after the end of each month	"	"	( 100,263)	1%	
Ho Tai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	"	211,841	1%	Closes its accounts 15 days after the end of each month	"	"	( 50,013)	-	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	Sales	178,905	2%	Collection at sight	Normal	"	87,873	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	Purchases	5,759,878	100%	"	Not applicable	Not applicable	( 302,006)	29%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	951,678	15%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Not applicable	Normal	(626,575)	9%	
Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	Subsidiary	Sales	180,458	4%	Collection at sight	Normal	"	97,539	2%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	159,245	90%	Closes its accounts 10 days after the end of each month	"	"	78,194	-	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	485,529	30%	Closes its accounts 16 days after the end of each month	"	"	224,682	5%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	290,118	15%	Closes its accounts 10 days after the end of each month	"	"	224,740	19%	
Carmax Co., Ltd.	AIM Technology Corp.	Associates	Purchases	304,421	20%	Closes its accounts 21 days after the end of each month	"	"	( 111,311)	15%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	"	159,245	11%	Closes its accounts 10 days after the end of each month	"	"	( 78,194)	-	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	846,929	20%	Payment at sight	"	"	( 232,054)	51%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	"	342,174	8%	"	"	"	( 48,509)	11%	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	222,204	12%	"	"	"	( 19,040)	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	358,533	8%	"	"	"	( 740)	-	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	Associates	"	254,847	6%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	228,651	5%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	178,905	3%	"	"	"	( 87,873)	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	138,976	3%	"	"	"	-	-	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	694,326	91%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	( 60,049)	-	
He Jing Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	180,458	100%	"	"	"	( 97,539)	-	

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(sale)	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	"	174,442	56%	"	"	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	124,591	48%	"	"	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	108,656	52%	"	"	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	110,926	54%	"	"	"	"	-	-	
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	184,067	52%	"	"	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	163,996	36%	"	"	"	"	-	-	
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	101,006	60%	"	"	"	"	-	-	

Note: Hotai Leasing Co., Ltd., Hoing Mobility Service Corporation and Hoyun International Lease Co., Ltd., purchase 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, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2023	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	\$ 533,233	58.81	-	-	\$ 533,233	-
			Other receivables	12,703				12,703	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	487,262	59.35	-	-	487,262	-
			Other receivables	10,699				10,699	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	626,575	6.79	-	-	626,575	-
			Other receivables	19,986				19,986	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	426,797	56.66	-	-	426,797	-
			Other receivables	4,739				4,739	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	404,000	50.47	-	-	404,000	-
			Other receivables	6,772				6,772	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	399,090	58.45	-	-	399,090	-
			Other receivables	7,603				7,603	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	297,147	63.18	-	-	297,147	-
			Other receivables	91,232				91,232	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	Accounts receivable	224,740	5.00	-	-	224,740	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	224,682	5.94	-	-	224,682	-

Ho Tai Motor Co., Ltd.  
Significant inter-company transactions during the reporting periods  
Three months ended March 31, 2023

(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	\$ 951,678	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	Service revenue	860,018	Closes its accounts 16 days after the end of following two months	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	626,575	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.	Eastern Motor Co., Ltd.	1	Sales revenue	694,326	"	-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Accounts receivable	60,049	"	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	224,682	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	222,204	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	178,905	"	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Accounts receivable	87,873		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Sales revenue	180,458		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Accounts receivable	97,539		-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	75,505		-
3	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Sales revenue	73,982	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	95,110	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co.,	3	Other payables	48,532	"	-
4	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	210,868	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	126,992	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	103,369	"	-
4	Hotong Motor Investment Co., Ltd.	Hoyun International Finance Leasing Co., Ltd.	3	Other receivables	888,053	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	162,420	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	3	Other payables	110,651	"	-

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	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	\$ 131,876	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	132,449	"	-
4	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	127,524	"	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	243,149	"	-
4	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	3	Other receivables	63,096	"	-
5	Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	3	Sales revenue	92,372		-
5	Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	3	Accounts receivable	54,530		-
6	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	64,980	Closes its accounts 60 days after the end of each month	-
7	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	159,245		-
7	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Accounts receivable	78,194	Closes its accounts 10 days after the end of each month	-
8	Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	3	Sales revenue	92,839		-
9	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	30,000	Accounts receivable financing	-
9	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	40,000	"	-
9	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	30,000	"	-

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 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Three months ended March 31, 2023

(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, 2023			Net profit (loss) of the investee for the three months ended March 31, 2023	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Footnote
				Balance at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,204,622	\$ 7,204,622	527,947,384	100.00	\$ 15,824,723	\$ 636,705	\$ 636,705	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	6,293,104	1,068,287	322,754	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	26,000,000	26,000,000	2,600,000,000	92.86	( 2,745,516)	226,961	210,934	Subsidiary
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,315,925	3,315,925	108,897,360	100.00	9,766,702	89,797	89,797	"
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	4,470,333	216,358	216,358	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,823,866	384,377	76,107	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	3,873,717	197,991	89,021	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	1,882,321	390,014	76,834	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,235,931	1,235,931	22,161,150	20.00	1,511,116	261,489	50,747	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,926,166	286,298	146,012	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,969	1,176	176	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	1,392,080	302,828	105,414	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,523,423	399,643	80,648	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,268,410	266,648	63,116	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	79,578,810	100.00	1,180,650	35,779	35,779	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	41,715,847	100.00	523,868	24,010	24,010	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	313,610	35,310	6,891	Investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss)	Investment income	Footnote
				Balance at	Balance as at	Number of shares	Ownership (%)	Book value	of the investee	(loss) recognized	
				March 31, 2023	December 31, 2022				for the three months ended	by the Company for the three months ended	
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	Taiwan	Production and marketing of packaging products	\$ 87,520	\$ 87,520	\$ 1,295,108	44.44	\$ 398,959	\$ 74	\$ 33	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	126,820	1,129	239	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Taiwan	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25.00	108,425	28,567	7,142	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	35,182	3,958	792	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	615,342	615,342	79,100,000	70.00	602,637	35,579	24,905	"
Ho Tai Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Car assembly business	500,000	500,000	50,000,000	50.00	511,147	4,450	2,225	"
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	Car assembly business	37,010	37,010	4,000,000	100.00	38,638	982	982	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	180,000	180,000	18,000,000	18.00	172,435	( 13,251)	( 2,385)	"
Ho Tai Motor Co., Ltd.	Gochabar Technology Co., Ltd.	"	Charging system technical service	12,000	-	1,200,000	10.00	12,000	-	-	Investee company accounted for using the equity method
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	106,575	106,575	3,500,000	70.00	158,281	330	-	Sub-subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	General investment	36,540	36,540	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	10,657,107	899,181	-	Sub-subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,745,115	298,552	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	426,523	2,702	-	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	-	133	302,828	-	Investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	"	Property and casualty insurance services	6,831,887	6,831,887	199,605,310	7.13	( 210,778)	226,961	-	Subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	353,700	38,141	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	HOYUN INTERNATIONAL LIMITED	British Virgin	General investment	1,230,180	1,230,180	40,400,000	50.50	2,890,778	214,573	-	Sub-subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	352,265	18,953	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	120,000	120,000	12,000,000	27.40	85,672	( 19,988)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	810,000	810,000	81,000,000	81.00	754,233	3,899	-	"
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	800,000	800,000	80,000,000	80.00	766,383	( 13,251)	-	Subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2023			Net profit (loss) of the investee for the three months ended March 31, 2023	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Footnote
				Balance at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	"	Energy storage	22,000	22,000	2,200,000	100.00	21,342	( 197)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Zheng Ren Energy Co., Ltd.	"	Solar power	\$ 86,730	\$ 31,850	\$ 8,673,000	35.00	\$ 77,664	(\$ 4,486)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	Solar power	9,781	9,781	900,000	90.00	9,120	( 561)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Taiwan	Solar power	116	116	9,000	90.00	265	176	-	"
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	Solar power	1,066	1,066	9,000	90.00	66	( 723)	-	"
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	"	Energy storage	410,000	-	41,000,000	20.00	409,302	( 3,490)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Gochabar Technology Co., Ltd.	"	Charging system technical service	36,000	-	3,600,000	30.00	36,000	-	-	Investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	"	Solar power	42,227	-	4,000,000	100.00	41,658	( 569)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	"	Electricity retailing business	1,000	-	100,000	100.00	1,000	-	-	"
Hotai Leasing Co., Ltd.	HOYUN INTERNATIONAL LIMITED	British Virgin	General investment	1,205,820	1,205,820	39,600,000	49.50	2,832,696	214,573	-	"
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	300,000	300,000	30,000,000	49.18	340,897	18,953	-	"
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000	41.10	126,439	( 19,988)	-	"
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	"	Tourism industry	10,000	10,000	1,000,000	100.00	12,213	1,471	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	35,633	( 95)	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	Taxi service	39,225	39,225	7,000,000	100.00	97,913	( 265)	-	"
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Sales of vehicle bodies	200,000	200,000	20,000,000	20.00	204,675	4,450	-	Subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	112,748	3,958	-	"
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	38,500	3,850,000	35.00	41,927	1,176	-	Investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	91,350	91,350	3,000,000	100.00	105,804	600	-	Sub-subsidiary
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	Taiwan	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	697	-	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	Repairing of air conditioning equipment and trading of their	100,000	100,000	27,190,239	100.00	864,674	21,556	-	Sub-subsidiary
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	111,194	2,802	-	"
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	119,134	26,174	-	"
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	697	-	-	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, 2023			Net profit (loss) of the investee for the three months ended March 31, 2023	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Footnote
				Balance at March 31, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	Freight forwarders	10,000	10,000	1,000,000	100.00	26,646	2,465	-	Sub-subsiidiary
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	Freight forwarders	\$ 25,000	\$ 25,000	\$ 2,500,000	100.00	\$ 81,818	\$ 10,616	-	"
Eastern Motor Co., Ltd.	DALEON Auto Parts And Accessories Corporation	"	Wholesale and retail of vehicles parts and accessories	500	500	50,000	100.00	1,001	19	-	"
Eastern Motor Co., Ltd.	Doroman Autoparts CORPORATION	Taiwan	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	11,438	1,079	-	"
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	5,650	5,650	565,000	0.50	5,650	35,579	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi service	3,000	3,000	300,000	0.68	3,000	( 19,988)	-	Sub-subsiidiary

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Three months ended March 31, 2023

(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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Book value of investment in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	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	\$ 3,898,970	Note(2)	\$ 1,213,737	\$ -	\$ -	\$ 1,213,737	\$ 85,975	\$ 100.00	\$ 85,975	\$ 9,569,849	\$ 671,371	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	102,617	Note(2)	102,617	-	-	102,617	10,351	100.00	10,351	427,106	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	Sales and repairing of vehicles	133,209	Note(2)	11,190	-	-	11,190	-	10.48	-	11,190	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	91,350	Note(2)	30,450	-	-	30,450	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	182,700	Note(2)	182,700	-	-	182,700	13,696	100.00	13,696	477,200	-	"
Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	91,350	Note(2)	91,350	-	-	91,350	3,003	100.00	3,003	165,182	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	152,250	Note(2)	106,575	-	-	106,575	330	70.00	231	158,281	-	"
Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	106,575	Note(3)	79,931	-	-	79,931	43,652	100.00	43,652	1,078,897	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Sales and repairing of vehicles	133,209	Note(2)	11,990	-	-	11,990	-	10.48	-	11,990	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	182,700	Note(2)	182,700	-	-	182,700	3,137	100.00	3,137	199,284	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	415,643	Note(2)	283,185	-	-	283,185	( 50)	100.00	( 50)	259,520	-	"
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	44,403	Note(3)	-	-	-	-	( 822)	100.00	( 822)	49,196	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	176,610	Note(2)	176,610	-	-	176,610	6,432	100.00	6,432	339,680	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Sales and repairing of vehicles	197,925	Note(2)	197,925	-	-	197,925	28,900	100.00	28,900	459,722	-	"
Hoyun International Finance Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,436,000	Note(2)	2,436,000	-	-	2,436,000	214,573	55.61	119,324	3,182,893	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	222,013	Note(3)	-	-	-	-	7,573	55.61	4,211	155,148	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	666,040	Note(3)	-	-	-	-	10,598	55.61	5,894	331,006	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	91,350	Note(2)	91,350	-	-	91,350	600	45.01	270	47,340	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	365,400	Note(3)	-	-	-	-	9,864	100.00	9,864	510,683	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Book value of investment in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
				China as of January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan	China as of March 31, 2023	March 31, 2023	March 31, 2023	March 31, 2023	March 31, 2023		
Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	\$ 304,605	Note(3)	\$ -	\$ -	\$ -	\$ -	\$ 470	100.00	\$ 470	\$ 323,992	\$ -	Note 2.3
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	365,400	Note(3)	-	-	-	-	743	35.00	260	54,463	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	40,499	Note(1)	40,499	-	-	40,499	9,914	51.00	5,056	186,933	-	"
Guangzhou Gac Changho Autotech Corporation	"	97,237	Note(1)	43,757	-	-	43,757	24,021	22.95	5,513	49,685	131,149	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	304,500	Note(3)	-	-	-	-	6,400	35.00	2,240	167,564	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	"	456,750	Note(3)	-	-	-	-	4,585	35.00	1,605	225,487	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	365,400	Note(3)	-	-	-	-	3,922	35.00	1,373	218,940	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	"	426,300	Note(3)	-	-	-	-	( 5,185)	35.00	( 1,815)	37,318	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,649	Note(3)	-	-	-	-	( 118)	71.43	( 84)	( 1,192)	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,440	Note(3)	-	-	-	-	123	100.00	123	11,511	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	474,672	Note(3)	-	-	-	-	12,194	100.00	11,137	719,772	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	1,021,269	Note(3)	-	-	-	-	469	100.00	469	1,001,441	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,321	Note(3)	-	-	-	-	1,582	100.00	1,582	24,284	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	88,806	Note(3)	-	-	-	-	2,157	100.00	2,157	126,498	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	44,403	Note(3)	-	-	-	-	( 6,433)	50.00	( 3,217)	( 18,433)	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	304,500	Note(3)	-	-	-	-	( 2,281)	100.00	( 2,281)	286,964	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	319,725	Note(3)	-	-	-	-	( 4,412)	100.00	( 4,412)	328,697	-	"
Tianjin Binhai Heling Lexus Motor Service Co.,Ltd.	Sales and repairing of vehicles	133,209	Note(3)	-	-	-	-	( 2,906)	35.00	( 1,017)	39,798	-	"
Tianjin Yongda Communication Technology Co., Ltd.	Trading of vehicle products / accessories and property management	261,001	Note(3)	-	-	-	-	136	35.00	( 3,660)	164,920	-	"
Nanjing HoZhan Motor Sales and Service Co.,Ltd.	Sales and repairing of vehicles	133,209	Note(3)	-	-	-	-	( 6,819)	70.00	( 4,773)	85,526	-	"
Taiyuan Zhongdu Heling Lexus Motor Sales & Service Co., Ltd.	"	130,935	Note(3)	-	-	-	-	( 8,555)	35.00	( 2,994)	34,569	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,202	Note(3)	-	-	-	-	3,012	100.00	( 357)	487,624	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	"	248,657	Note(3)	-	-	-	-	5,386	70.00	1,829	639,582	-	"

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, 2023	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2023	Net income of investee for the three months ended March 31, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the three months ended March 31, 2023	Book value of investment in Mainland China as of March 31, 2023	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	\$ 754,851	Note(3)	\$ -	\$ -	\$ -	\$ -	\$ 2,362	100.00	\$ 2,362	\$ 198,079	\$ -	Note 2.3
Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	Sales and repairing of vehicles	310,821	Note(3)	-	-	-	-	( 9,746)	70.00	( 6,822)	758,805	-	"
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	444	Note(3)	-	-	-	-	( 5)	55.61	( 2)	3,615	-	"
Hangzhou Wangyou Network Technology Co., Ltd.	"	444	Note(3)	-	-	-	-	( 1)	55.61	-	1,049	-	"
Homei Consulting (Suzhou) Company Limited	Consulting service and property management	444	Note(3)	-	-	-	-	( 2)	55.61	( 1)	246	-	"

Note 1: The investments are classified as follows:

Note(1) Direct investment in Mainland China.

Note(2) Investment in Mainland China companies through a company invested and established in a third region.

Note(3) Others.

Note 2: The amount of investment income (loss) recognized for the three months ended March 31, 2023 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, 2023	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.	\$ 3,161,467	\$ 6,381,972	\$ 44,329,245

Ho Tai Motor Co., Ltd.  
Major shareholders information  
Three months ended March 31, 2023

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%