

**HO TAI MOTOR COMPANY LIMITED AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT**

SEPTEMBER 30, 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 AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2023 AND 2022
TABLE OF CONTENTS

Contents	Page
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 ~ 141
(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 Material Accounting Policies	15 ~ 41
(5) Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty	41 ~ 42

Contents	Page
(6) Details of Significant Accounts	42 ~ 84
(7) Related Party Transactions	85 ~ 96
(8) Pledged Assets	96
(9) Significant Contingent Liabilities and Unrecognized Contract Commitments	97
(10) Significant Disaster Loss	97
(11) Significant Events after the Balance Sheet Date	97
(12) Others	98 ~ 137
(13) Supplementary Disclosures	138 ~ 139
A. Significant transactions information	138
B. Information on investees	138
C. Information on investments in Mainland China	138 ~ 139
D. Major shareholders information	139
(14) Segment Information	139 ~ 141

INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

PWCR23002029

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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises 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

Except as explained in the following paragraph, 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, investments accounted for using the equity method and relevant information disclosed in accordance with Note 13 were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for using the equity method amounted to NT\$87,996,789 thousand and NT\$75,197,028 thousand, constituting 19% and 19% of the consolidated total assets as at September 30,

2023 and 2022, respectively. Total liabilities amounted to NT\$34,045,581 thousand and NT\$24,238,252 thousand, constituting 9% and 8% of the consolidated total liabilities as at September 30, 2023 and 2022, respectively. And the total comprehensive income amounted to NT\$1,987,968 thousand, NT\$1,672,812 thousand, NT\$5,191,685 thousand and NT\$5,054,563 thousand, constituting 21%, (13)%, 22% and (55)% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under the equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Accounting Standard 34, "Interim Financial Reporting" that came into effect as endorsed by the Financial Supervisory Commission.

Hsiao, Chun-Yuan

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

November 10, 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
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 17,891,087	4	\$ 15,629,561	4	\$ 18,873,559	5
1120	Financial assets at fair value through profit or loss-current	6(2)	6,009,106	1	4,590,529	1	4,860,674	1
1125	Financial assets at fair value through other comprehensive income-current	6(3)	-	-	216,321	-	241,713	-
1150	Derivative financial assets for hedging	6(4)	511,615	-	504,827	-	232,491	-
1190	Other financial assets-current	6(1) and 8	3,033,803	1	3,229,892	1	3,008,924	1
1195	Contract assets-current		103,223	-	57,021	-	28,474	-
1201	Notes receivable	6(5), 7 and 8	14,491,801	3	11,928,468	3	12,589,816	3
1202	Accounts receivable	6(5), 7 and 8	259,898,265	56	226,000,165	56	212,645,374	55
1203	Other receivables	7	2,428,569	1	1,831,274	-	2,071,069	1
1270	Inventories	6(7)	15,304,471	3	13,280,667	3	12,040,395	3
1280	Prepayments	6(8)	10,052,164	2	8,911,626	2	9,377,790	2
1290	Assets held for sale		919	-	283,710	-	15,443	-
1310	Reinsurance contract assets, net	6(9)	4,297,235	1	2,964,445	1	3,005,269	1
	Total current assets		<u>334,022,258</u>	<u>72</u>	<u>289,428,506</u>	<u>71</u>	<u>278,990,991</u>	<u>72</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,004,770	-	1,011,039	-	1,002,836	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	11,076,204	2	8,411,794	2	8,353,196	2
1470	Investments accounted for using the equity method	6(10)	21,107,282	4	18,759,486	5	18,385,209	5
1480	Other financial assets-non-current	6(1)	86,930	-	196,388	-	357,395	-
1500	Property, plant and equipment, net	6(11)	64,988,069	14	60,555,510	15	58,095,058	15
1595	Right-of-use assets, net	6(12)	3,749,079	1	3,629,696	1	3,377,305	1
1600	Investment property, net	6(14)	2,518,876	1	2,900,924	1	3,083,826	1
1700	Intangible assets, net	6(15)	671,078	-	184,656	-	183,834	-
1800	Deferred income tax assets, net	6(34)	3,938,304	1	4,099,616	1	4,005,960	1
1900	Other assets	6(5)(9)(17)	22,340,548	5	17,383,522	4	10,925,505	3
	Total non-current assets		<u>131,481,140</u>	<u>28</u>	<u>117,132,631</u>	<u>29</u>	<u>107,770,124</u>	<u>28</u>
1XXX	Total Assets		<u>\$ 465,503,398</u>	<u>100</u>	<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 386,761,115</u>	<u>100</u>

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2023, DECEMBER 31, 2022 AND SEPTEMBER 30, 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	September 30, 2023		December 31, 2022		September 30, 2022	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current Liabilities							
2110	Short-term loans	6(18)	\$ 111,041,897	24	\$ 105,333,597	26	\$ 100,555,954	26
2120	Short-term notes and bills payable	6(19)	139,378,700	30	114,640,213	28	96,952,274	25
2140	Financial liabilities at fair value through profit or loss-current	6(2)	-	-	162,608	-	23,783	-
2150	Derivative financial liabilities for hedging	6(4)	1,301,539	-	586,935	-	1,028,549	-
2165	Contract liabilities-current	6(29)	1,593,730	-	1,518,147	-	1,433,368	-
2201	Notes payable		1,463,036	-	870,114	-	933,892	-
2202	Accounts payable	7	10,450,325	2	11,384,815	3	10,074,173	3
2203	Accrued expenses	6(22) and 7	6,703,396	2	6,623,281	2	5,306,692	1
2204	Other payables	7	1,747,944	1	1,665,754	1	1,609,619	1
2250	Commissions payable	7	215,292	-	493,435	-	425,008	-
2260	Due to reinsurance and ceding companies		1,738,968	1	814,508	-	746,672	-
2270	Claims payable		39,143	-	313,586	-	129,078	-
2310	Current income tax liabilities		1,075,805	-	1,446,987	-	3,048,876	1
2320	Advance receipts		165,557	-	237,772	-	207,134	-
2330	Long-term liabilities-current portion	6(20)(21)	33,320,677	7	24,305,569	6	24,796,921	7
2335	Current lease liabilities	7	475,320	-	573,266	-	432,522	-
2350	Other current liabilities	6(9)(24)(25)	23,954,120	5	30,610,509	8	35,459,743	9
	Total current liabilities		<u>334,665,449</u>	<u>72</u>	<u>301,581,096</u>	<u>74</u>	<u>283,164,258</u>	<u>73</u>
	Non-current liabilities							
2550	Long-term loans	6(21)	9,693,998	2	12,399,285	3	3,496,704	1
2600	Provisions	6(9)(24)	9,620,461	2	8,716,614	2	8,237,496	2
2620	Guarantee deposits received	6(25)	9,179,417	2	8,254,408	2	8,224,495	2
2625	Non-current lease liabilities	7	1,960,789	-	1,807,561	1	1,659,428	1
2630	Deferred income tax liabilities	6(34)	4,290,213	1	4,230,074	1	4,145,958	1
2660	Other liabilities		2	-	36	-	46	-
	Total non-current liabilities		<u>34,744,880</u>	<u>7</u>	<u>35,407,978</u>	<u>9</u>	<u>25,764,127</u>	<u>7</u>
2XXX	Total Liabilities		<u>369,410,329</u>	<u>79</u>	<u>336,989,074</u>	<u>83</u>	<u>308,928,385</u>	<u>80</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(26)						
3110	Common stock		5,571,028	1	5,461,792	1	5,461,792	1
	Capital surplus	6(27)						
3200	Capital surplus		2,897,444	1	2,898,044	1	2,930,289	1
	Retained earnings	6(28)						
3310	Legal reserve		15,553,282	4	15,553,282	4	15,553,282	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		33,419,624	7	16,165,239	4	25,222,062	7
	Other equity							
3400	Other equity interest		4,746,706	1	1,304,787	-	1,289,874	-
31XX	Total equity attributable to shareholders of the parent		<u>62,569,927</u>	<u>14</u>	<u>41,764,987</u>	<u>10</u>	<u>50,839,142</u>	<u>13</u>
32XX	Non-controlling interest		<u>33,523,142</u>	<u>7</u>	<u>27,807,076</u>	<u>7</u>	<u>26,993,588</u>	<u>7</u>
3XXX	Total equity		<u>96,093,069</u>	<u>21</u>	<u>69,572,063</u>	<u>17</u>	<u>77,832,730</u>	<u>20</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 465,503,398</u>	<u>100</u>	<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 386,761,115</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 AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share amounts)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Revenues										
4010	Interest income	6(3)(30)	\$ 5,495,315	8	\$ 4,241,411	7	\$ 15,455,586	7	\$ 11,915,002	7
4020	Premiums revenue	6(31)	2,170,802	3	2,435,084	4	6,519,653	3	6,988,598	4
4040	Reinsurance commission revenue		294,687	1	140,110	-	858,033	-	397,787	-
4050	Fee income		2,720	-	3,094	-	8,053	-	8,623	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	902,139	1	603,464	1	2,601,946	1	1,567,716	1
4090	Gains (losses) on financial assets and liabilities at fair value through profit or loss	6(2)	183,046	-	228,474	-	1,169,062	1 (	652,981)	-
4105	Realized gains on financial assets at fair value through other comprehensive income		65,350	-	49,240	-	194,921	-	215,166	-
4160	Net sales revenue	6(29)								
4161	Sales revenue		56,544,494	80	50,777,536	81	169,852,084	81	147,239,260	82
4162	Sales returns		(831,953)	(1)	(354,456)	(1)	(1,904,833)	(1)	(923,111)	(1)
4163	Sales discounts and allowances		(675,873)	(1)	(899,457)	(1)	(2,449,174)	(1)	(3,131,049)	(2)
4170	Rental revenue		4,867,130	7	4,455,047	7	14,257,932	7	12,836,220	7
4180	Service revenue	6(29) and 7	748,049	1	583,811	1	1,920,244	1	1,658,538	1
4210	Gains on disposals of property, plant and equipment		80,534	-	2,835	-	179,017	-	9,619	-
4230	Income from investment property	6(14)	17,486	-	43,717	-	107,101	-	132,126	-
4260	Foreign exchange gains		153,504	- (	225,726)	-	227,395	- (	145,988)	-
4270	Other income		495,410	1	378,096	1	1,091,640	1	1,043,238	1
4256	Reversal gains on expected credit of investment		(48)	(	5)	-	232	-	29	-
4280	Unrealized profits from sales		(20,195)	-	15,808	-	(108,484)	-	(23,318)	-
4290	Realized profits from sales		-	-	-	-	44,701	-	66,381	-
	Total revenues		<u>70,492,597</u>	<u>100</u>	<u>62,478,083</u>	<u>100</u>	<u>210,025,109</u>	<u>100</u>	<u>179,201,856</u>	<u>100</u>
Expenses										
5010	Interest expenses		(1,520,421)	(2)	(861,388)	(1)	(4,167,164)	(2)	(2,100,259)	(1)
5030	Underwriting expenses		(219)	(	166)	(	509)	(	296)	-
5040	Commission expenses	7	(1,246,235)	(2)	(1,413,469)	(2)	(3,710,056)	(2)	(4,351,345)	(2)
5050	Claims payment		(1,140,165)	(2)	(10,377,038)	(17)	(11,434,047)	(5)	(13,321,604)	(7)
5070	Net changes in other insurance liabilities	6(9)	376,906	1	9,219,019)	(15)	8,834,159	4	14,960,828)	(8)
5190	Cost of sales	6(7) and 7	(49,172,706)	(70)	(43,313,555)	(69)	(146,801,675)	(70)	(124,360,182)	(69)
5200	Cost of rental revenue		(3,857,620)	(5)	(3,477,045)	(6)	(11,173,422)	(5)	(10,299,498)	(6)
5210	Cost of services		(634,938)	(1)	(576,540)	(1)	(1,705,776)	(1)	(1,565,295)	(1)
5230	Operating expenses	6(32)(33) and 7								
5231	Selling expenses		(2,704,569)	(4)	(2,507,899)	(4)	(8,022,417)	(4)	(7,371,475)	(4)
5232	General and administrative expenses		(1,964,311)	(3)	(1,454,939)	(2)	(5,681,817)	(3)	(4,462,146)	(3)
5233	Research and development expenses		(39,131)	-	(30,221)	-	(101,889)	-	(85,100)	-
5287	Expected credit impairment losses of non-investment	12(2)	(934,636)	(1)	(479,154)	(1)	(2,414,512)	(1)	(1,192,784)	(1)
5270	Expenses and losses from investment property	6(14)	(7,279)	-	(9,260)	-	(24,653)	-	(28,344)	-
5275	Gains (losses) on reclassification under the overlay approach		9,960	-	203,308)	(	382,778)	-	724,024	-
5280	Impairment losses	6(16)	-	-	(1,092,475)	(2)	-	-	(1,092,475)	(1)
5320	Other expenses		(65,921)	-	(13,633)	-	(142,103)	-	(52,644)	-
	Total expenses		<u>(62,901,285)</u>	<u>(89)</u>	<u>(75,029,109)</u>	<u>(120)</u>	<u>(186,928,659)</u>	<u>(89)</u>	<u>(184,520,251)</u>	<u>(103)</u>
6100	Income before income tax from continuing operations		<u>7,591,312</u>	<u>11</u>	<u>(12,551,026)</u>	<u>(20)</u>	<u>23,096,450</u>	<u>11</u>	<u>(5,318,395)</u>	<u>(3)</u>
6200	Income tax expense	6(34)	(407,401)	(1)	(227,434)	-	(2,045,031)	(1)	(2,066,375)	(1)
6500	Profit for the period		<u>\$ 7,183,911</u>	<u>10</u>	<u>(\$ 12,778,460)</u>	<u>(20)</u>	<u>\$ 21,051,419</u>	<u>10</u>	<u>(\$ 7,384,770)</u>	<u>(4)</u>

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings (losses) per share amounts)

Items	Notes	Three months ended September 30				Nine months ended September 30				
		2023		2022		2023		2022		
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss) for the period										
Components of other comprehensive income (loss) that will not be reclassified to profit or loss										
6617	Gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 1,284,868	2	(\$ 824,728)	(1)	\$ 2,891,020	2	(\$ 1,552,444)	(1)
6610	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss		1,284,868	2	(824,728)	(1)	2,891,020	2	(1,552,444)	(1)
Components of other comprehensive income (loss) that may be reclassified to profit or loss										
6651	Financial statement translation differences of foreign operations		560,696	1	16,556	-	152,827	-	378,107	-
6659	Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(1,993)	-	(19,826)	-	45,776	-	(92,633)	-
6661	(Loss) gain on hedging instrument	6(4)	19,332	-	15,614	-	(128,162)	-	226,869	-
6675	Other comprehensive income (loss) reclassified by using overlay approach	6(2)	(9,960)	-	203,308	-	382,778	-	(724,024)	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method components of other comprehensive income that may be reclassified to profit or loss		19,210	-	49,384	-	(9,773)	-	28,297	-
6689	Income tax related to components of other comprehensive income that may be reclassified to profit or loss	6(34)	3,953	-	(5,629)	-	27,776	-	(52,545)	-
	Total components of other comprehensive income (loss) that may be reclassified to profit or loss		591,238	1	259,407	-	471,222	-	(235,929)	-
6600	Other comprehensive income (loss) for the period-net		\$ 1,876,106	3	(\$ 565,321)	(1)	\$ 3,362,242	2	(\$ 1,788,373)	(1)
6700	Total comprehensive income (loss) for the period		\$ 9,060,017	13	(\$ 13,343,781)	(21)	\$ 24,413,661	12	(\$ 9,173,143)	(5)
Profit (loss) attributable to:										
6810	Owners of parent		\$ 6,345,600	9	(\$ 13,651,638)	(22)	\$ 18,455,979	9	(\$ 10,171,868)	(6)
6820	Non-controlling interests		838,311	1	873,178	2	2,595,440	1	2,787,098	2
			\$ 7,183,911	10	(\$ 12,778,460)	(20)	\$ 21,051,419	10	(\$ 7,384,770)	(4)
Comprehensive income (loss) attributable to:										
6910	Owners of parent		\$ 8,154,356	12	(\$ 14,231,162)	(23)	\$ 21,897,898	11	(\$ 12,130,937)	(7)
6920	Non-controlling interests		905,661	1	887,381	2	2,515,763	1	2,957,794	2
			\$ 9,060,017	13	(\$ 13,343,781)	(21)	\$ 24,413,661	12	(\$ 9,173,143)	(5)
	Basic earnings (losses) per share	6(35)	\$	11.39	(\$ 24.50)		\$	33.13	(\$ 18.26)	
	Diluted earnings (losses) per share	6(35)	\$	11.38	(\$ 24.50)		\$	33.11	(\$ 18.26)	

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
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent												
		Share capital			Retained earnings				Other equity interest					
		Common stock	Stock dividend to be distributed	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
Notes														
For the nine months ended September 30, 2022														
		\$ 5,461,792	\$ -	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	(\$ 556,123)	\$ 3,265,105	\$ 563,781	(\$ 23,820)	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965
		-	-	-	-	-	(10,171,868)	-	-	-	-	(10,171,868)	2,787,098	(7,384,770)
		-	-	-	-	-	-	332,753	(1,630,313)	(737,267)	75,758	(1,959,069)	170,696	(1,788,373)
		-	-	-	-	-	(10,171,868)	332,753	(1,630,313)	(737,267)	75,758	(12,130,937)	2,957,794	(9,173,143)
	6(28)													
		-	-	-	1,627,319	-	(1,627,319)	-	-	-	-	-	-	-
		-	-	-	-	-	(10,923,584)	-	-	-	-	(10,923,584)	(1,992,722)	(12,916,306)
	6(36)													
		-	-	119,102	-	-	-	-	-	-	-	119,102	(120,102)	(1,000)
		-	-	4,607	-	-	-	-	-	-	-	4,607	5,543	10,150
		-	-	(897)	-	-	-	-	-	-	-	(897)	897	-
		-	-	-	-	-	-	-	-	-	-	-	5,447,064	5,447,064
		\$ 5,461,792	\$ -	\$ 2,930,289	\$ 15,553,282	\$ 381,843	\$ 25,222,062	(\$ 223,370)	\$ 1,634,792	(\$ 173,486)	\$ 51,938	\$ 50,839,142	\$ 26,993,588	\$ 77,832,730
For the nine months ended September 30, 2023														
		\$ 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
		-	-	-	-	-	18,455,979	-	-	-	-	18,455,979	2,595,440	21,051,419
		-	-	-	-	-	-	160,555	2,933,666	388,889	(41,191)	3,441,919	(79,677)	3,362,242
		-	-	-	-	-	18,455,979	160,555	2,933,666	388,889	(41,191)	21,897,898	2,515,763	24,413,661
	6(28)													
		-	-	-	-	-	(1,092,358)	-	-	-	-	(1,092,358)	(1,893,528)	(2,985,886)
		109,236	-	-	-	-	(109,236)	-	-	-	-	-	-	-
	6(36)													
		-	-	(600)	-	-	-	-	-	-	-	(600)	600	-
		-	-	-	-	-	-	-	-	-	-	-	5,093,231	5,093,231
		\$ 5,571,028	\$ -	\$ 2,897,444	\$ 15,553,282	\$ 381,843	\$ 33,419,624	(\$ 162,997)	\$ 4,633,010	\$ 248,801	\$ 27,892	\$ 62,569,927	\$ 33,523,142	\$ 96,093,069

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated profit before income tax		\$ 23,096,450	(\$ 5,318,395)
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)(32)	9,563,941	8,751,287
Amortization	6(32)	109,836	93,824
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	(1,169,062)	652,981
Expected gain on reversal of investment		(232)	(29)
Expected credit impairment loss on non-investment		2,414,512	1,192,784
Profit or loss reclassified by applying overlay approach		382,778	(724,024)
Impairment loss (reversal gain) of rental assets	6(11)	(23,081)	2,341
Provision for financial guarantee expense		13,660	19,988
Interest expense		4,167,164	2,100,259
Interest income	6(30)	(15,455,586)	(11,915,002)
Dividend income		(229,824)	(233,534)
Compensation cost of share-based payments		-	10,150
Share of profit of associates accounted for using the equity method	6(10)	(2,601,946)	(1,567,716)
Net gain on disposal of property, plant and equipment		(179,017)	(9,619)
Impairment loss	6(16)	-	1,092,475
Unrealized profit from sales		108,484	23,318
Realized profit from sales		(44,701)	(66,381)
Profit from lease modification	6(12)	(1,100)	(881)
Exchange gain (loss)		47,194	121,239
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		(243,246)	2,278,429
Contract assets		(46,202)	620
Notes and accounts receivable		(42,952,683)	(38,548,782)
Other receivables		(594,311)	(556,294)
Inventories		2,814,301	1,990,329
Prepayments		(522,036)	(469,808)
Reinsurance contract assets		(1,841,054)	(825,674)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(162,608)	(3,997)
Contract liabilities		75,583	62,117
Notes and accounts payable		(341,568)	1,430,748
Accrued expenses		78,304	(1,778,598)
Other payables		82,190	202,446
Commission payable		(278,143)	(120,791)
Provisions		903,847	15,639
Due to reinsurance and ceding companies		924,460	160,083
Claims payable		(274,443)	87,337
Advance receipts		(72,215)	(45,178)
Other current liabilities		(7,149,064)	16,668,348
Other liabilities		(34)	(26)
Cash outflow generated from operations		(29,399,452)	(25,227,987)
Interest received		15,452,602	11,893,221
Cash dividends received		926,420	823,822
Interest paid		(4,216,376)	(2,020,867)
Income tax paid		(2,805,117)	(4,875,973)
Net cash flows used in operating activities		(20,041,923)	(19,407,784)

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Nine months ended September 30	
		2023	2022
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in financial assets at fair value through other comprehensive income		\$ 302,939	\$ 675,043
Acquisition of investments accounted for using the equity method		(512,880)	(350)
Acquisition of property, plant and equipment	6(11)	(18,687,275)	(17,710,546)
Proceeds from disposal of property, plant and equipment		955,256	430,406
Proceeds from disposal of assets held for sale		1,172,080	-
Acquisition of investment properties	6(14)	(1,149)	(290)
Acquisition of intangible assets	6(15)	(86,340)	(35,672)
Decrease (increase) in other financial assets		305,547	(427,615)
Increase in other assets		(763,785)	(29,486)
Net cash flow from acquisition of subsidiaries		(599,722)	-
Net cash flows used in investing activities		(17,915,329)	(17,098,510)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term loans	6(37)	6,245,346	34,028,891
Increase (decrease) in short-term notes and bills payable	6(37)	24,738,487	(7,909,068)
Proceeds from issuance of bonds	6(37)	4,000,000	10,000,000
Proceeds from long-term loans	6(37)	9,551,666	648,820
Repayments of long-term loans	6(37)	(7,696,519)	(690,000)
Increase in guarantee deposits received	6(37)	1,417,684	998,852
Cash dividends paid	6(28)(37)	(1,092,358)	(10,923,584)
Repayment of principal portion of lease liability	6(37)	(508,358)	(358,067)
Cash dividends paid from subsidiaries to non-controlling interests		(1,893,528)	(1,992,722)
Preference share issued by subsidiaries		4,800,000	5,000,000
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	6(36)	-	332,350
Change in non-controlling interests		380,000	113,713
Net cash flows from financing activities		39,942,420	29,249,185
Net effect of changes in foreign currency exchange rates		276,358	317,088
Net increase (decrease) in cash and cash equivalents		2,261,526	(6,940,021)
Cash and cash equivalents at beginning of period		15,629,561	25,813,580
Cash and cash equivalents at end of period		\$ 17,891,087	\$ 18,873,559

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
NINE MONTHS ENDED SEPTEMBER 30, 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 November 10, 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
Amendments to IAS 12, ‘International tax reform – pillar two model rules’	May 23, 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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
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
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

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

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

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial Application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS21, 'Lack of exchangeability'	January 1, 2025

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 Insurance Enterprises and the International Accounting Standard 34, ‘Interim financial reporting’ that came into effect as endorsed by the FSC.

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

B. The preparation of financial statements in conformity with 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 September 30, 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 September 30, 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
			September 30, 2023	December 31, 2022	September 30, 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)	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	77.93	92.86	-	Note 13, 16
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	70.00	70.00	70.00	Note 3
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50.00	50.00	50.00	Note 1
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18.00	18.00	18.00	Note 1, 4
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Sales of vehicle bodies	100.00	100.00	100.00	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)	70.00	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., Ltd.	Sales and repairing of vehicles	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd.	Sales and repairing of vehicles	70.00	70.00	70.00	
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
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	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	40.00	40.00	40.00	Note 1, 10
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	30.00	Note 1, 10
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	30.00	Note 1, 10
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	45.39	Note 2

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	22.05	7.13	99.80	Note 1, 13, 16
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.10	41.10	41.10	Note 1
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.40	27.40	27.40	Note 1
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Finance Co., Ltd.	Hoing Mobility Service 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	100.00	100.00	100.00	Note 6
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment trading of various vehicles	81.00	81.00	81.00	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	80.00	80.00	80.00	Note 4
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co.,Ltd.	Energy storage	100.00	100.00	100.00	Note 8
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	Solar power	90.00	90.00	-	Note 12
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Solar power	90.00	90.00	-	Note 12
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	Solar power	90.00	90.00	-	Note 12
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Electricity retailing business	100.00	-	-	Note 14
He Jun Energy Co., Ltd.	Tung Ching Energy Co., Ltd.	Solar power	100.00	-	-	Note 15
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	Solar power	100.00	-	-	Note 18
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	Solar power	100.00	-	-	Note 18
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Solar power	100.00	-	-	Note 19
He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	Solar power	100.00	-	-	Note 19
Hoyun International Limited	Hoyun International Finance Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	Note 9
Hoyun International Finance Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
Hoyun International Finance Leasing Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Co., Ltd.	Leasing of cars	100.00	100.00	100.00	
Hoyun International Finance Leasing Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	100.00	100.00	Note 5
Hoyun International Finance Leasing Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	100.00	100.00	Note 5
Hoyun International Finance Leasing Co., Ltd.	Homei Consulting (Suzhou) Company Limited	Consulting services	100.00	100.00	100.00	Note 6, 17

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2023	December 31, 2022	September 30, 2022	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	-	-	100.00	Note 11
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	-	Note 11
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51.00	51.00	51.00	
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	-	-	100.00	Note 11
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Daleon Auto Parts & Accessories Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	0.68	Note 1
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	0.50	0.50	0.50	Note 1, 3
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Assembly of vehicle bodies	20.00	20.00	20.00	Note 1

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 in December, 2022, 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.

Note 16: On June 2, 2023, the subsidiary, Hozan Investment Co., Ltd., participated in the cash capital increase of the subsidiary, Hotai Insurance Co., Ltd., with an amount of \$4,500,000. After the capital increase, their shareholding ratio became 22.05%. The company did not participate in the subscription, and the shareholding ratio decreased from 92.86% to 77.93%.

Note 17: On June, 2023, Homei Consulting (Suzhou) Co., Ltd. changed its registration and renamed itself as Hemei International Trading (Suzhou) Co., Ltd.

Note 18: The subsidiary was acquired in August, 2023.

Note 19: The subsidiary was acquired in September, 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 September 30, 2023, December 31, 2022, and September 30, 2022, the non-controlling interest amounted to \$33,523,142, \$27,807,076, and \$26,993,588, 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			
		September 30, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 23,620,596	54.61% (note)	\$ 18,369,237	54.61% (note)
Hotai Leasing Co., Ltd.	Taiwan	1,893,627	33.96%	1,807,397	33.96%

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2022	
		Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 17,863,750	54.61%
Hotai Leasing Co., Ltd.	Taiwan	1,724,527	33.96%

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

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 276,354,679	\$ 236,804,466	\$ 222,213,851
Non-current assets	25,913,453	18,560,622	16,215,641
Current liabilities	(261,053,278)	(221,376,661)	(205,589,181)
Non-current liabilities	(2,013,028)	(1,095,413)	(963,836)
Total net assets	\$ 39,201,826	\$ 32,893,014	\$ 31,876,475

	Hotai Leasing Co., Ltd.		
	September 30, 2023	December 31, 2022	September 30, 2022
Current assets	\$ 4,767,955	\$ 4,225,639	\$ 4,050,121
Non-current assets	43,387,078	40,116,388	38,168,599
Current liabilities	(30,225,762)	(24,857,667)	(24,043,772)
Non-current liabilities	(12,352,893)	(14,161,911)	(13,096,536)
Total net assets	\$ 5,576,378	\$ 5,322,449	\$ 5,078,412

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 7,499,678	\$ 5,914,182
Profit before income tax	\$ 1,487,214	\$ 1,369,526
Income tax expense	(340,747)	(325,114)
Profit for the period	1,146,467	1,044,412
Other comprehensive income for the period, net of tax	<u>176,302</u>	<u>37,337</u>
Total comprehensive income for the period	<u>\$ 1,322,769</u>	<u>\$ 1,081,749</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 596,401</u>	<u>\$ 511,224</u>

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 20,984,582	\$ 16,561,651
Profit before income tax	\$ 4,155,086	\$ 3,996,188
Income tax expense	(1,051,170)	(964,326)
Profit for the period	3,103,916	3,031,862
Other comprehensive (loss) income for the period, net of tax	<u>(85,216)</u>	<u>303,786</u>
Total comprehensive income for the period	<u>\$ 3,018,700</u>	<u>\$ 3,335,648</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 1,467,257</u>	<u>\$ 1,612,772</u>
Dividends paid to non-controlling interests	<u>\$ 1,016,394</u>	<u>\$ 1,181,337</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Revenue	\$ 5,746,907	\$ 5,037,654
Profit before income tax	\$ 385,455	\$ 340,124
Income tax expense	(88,128)	(75,787)
Profit for the period	297,327	264,337
Other comprehensive income for the period, net of tax	<u>89,335</u>	<u>9,748</u>
Total comprehensive income for the period	<u>\$ 386,662</u>	<u>\$ 274,085</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 131,302</u>	<u>\$ 93,074</u>

	Hotai Leasing Co., Ltd.	
	Nine months ended September 30,	
	2023	2022
Revenue	\$ 16,777,863	\$ 14,605,824
Profit before income tax	\$ 1,094,751	\$ 1,066,981
Income tax expense	(228,016)	(251,510)
Profit for the period	866,735	815,471
Other comprehensive income for the period, net of tax	20,344	46,937
Total comprehensive income for the period	\$ 887,079	\$ 862,408
Comprehensive income attributable to non-controlling interests	\$ 301,234	\$ 292,857
Dividends paid to non-controlling interests	\$ 215,005	\$ 202,106

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Nine months ended September 30,	
	2023	2022
Net cash used in operating activities	(\$ 35,791,643)	(\$ 30,134,014)
Net cash used in investing activities	(3,886,371)	(1,877,506)
Net cash provided by financing activities	42,742,271	32,945,069
Net effect of changes in foreign currency exchange rates	22,876	192,943
Increase in cash and cash equivalents	3,087,133	1,126,492
Cash and cash equivalents, beginning of period	2,382,775	1,058,573
Cash and cash equivalents, end of period	\$ 5,469,908	\$ 2,185,065

	Hotai Leasing Co., Ltd.	
	Nine months ended September 30,	
	2023	2022
Net cash provided by operating activities	\$ 12,660,740	\$ 11,748,861
Net cash used in investing activities	(15,089,660)	(13,376,545)
Net cash provided by financing activities	2,516,869	1,768,389
Increase in cash and cash equivalents	87,949	140,705
Cash and cash equivalents, beginning of period	120,151	109,655
Cash and cash equivalents, end of period	\$ 208,100	\$ 250,360

(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 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 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 in accordance with IFRS 9 and IFRS 4, as well as the "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", for receivables, financial assets and reinsurance 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. Power purchase agreement

Power purchase agreement is stated at cost and amortized on a straight-line basis over 16 years.

E. 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 amortized, 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 include “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 based on 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 based on 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 based on 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. Lease revenue

Based on the Group's lease term, 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, while others are classified as operating leases. Under finance lease, the amounts receivable from the lessee are recognized as lease receivables, and finance income is amortized over the accounting periods to reflect the constant periodic rate of return for each period. Lease income from an operating lease is recognised in profit or loss on a straight-line basis over the lease term.

- 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. Consequently, 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(29) 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(24) "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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand and revolving funds	\$ 14,886	\$ 15,799	\$ 14,491
Checking accounts and demand deposits	12,000,763	10,454,929	11,390,404
Cash equivalents			
Time deposits	2,056,894	595,460	689,727
Short-term notes and bills	3,818,544	4,563,373	6,778,937
	<u>\$ 17,891,087</u>	<u>\$ 15,629,561</u>	<u>\$ 18,873,559</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 September 30, 2023, December 31, 2022, and September 30, 2022, the Group presented its long-term time deposits of \$2,203,108, \$2,690,156, and \$2,559,603 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	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Financial assets at fair value through profit or loss			
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Domestic and foreign beneficiary certificates	\$ 2,392,237	\$ 1,546,818	\$ 1,601,253
Derivative instruments	213,575	57,587	581,621
Financial instruments	486,152	703,187	648,942
Listed stocks	1,366,193	1,180,507	970,866
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,001,520	1,172,594	1,143,294
Valuation adjustment	489,449	(130,144)	(145,282)
	<u>\$ 6,009,106</u>	<u>\$ 4,590,529</u>	<u>\$ 4,860,674</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Corporate bonds	\$ 1,004,770	\$ 1,011,039	\$ 1,002,836
Financial liabilities at fair value through profit or loss			
Current items:			
Financial liabilities held for trading			
Derivative instruments	\$ -	\$ 162,608	\$ 23,783

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 September 30,	
	2023	2022
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 31,598)	\$ 412,735
Domestic and foreign beneficiary certificates	(19,303)	30,485
Financial instruments	1,482	577
Listed stocks	216,063	(111,764)
Listed preference share	1,279	(2,596)
Exchange Traded Funds	6,462	(109,670)
Corporate bonds	8,661	8,707
	<u>\$ 183,046</u>	<u>\$ 228,474</u>

Items	Nine months ended September 30,	
	2023	2022
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 323,608	\$ 502,229
Domestic and foreign beneficiary certificates	4,478	(134,141)
Financial instruments	542	1,274
Listed stocks	610,756	(593,299)
Listed preference share	896	(3,562)
Exchange Traded Funds	209,211	(418,439)
Corporate bonds	19,571	(7,043)
	<u>\$ 1,169,062</u>	<u>(\$ 652,981)</u>

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

Derivative instruments	September 30, 2023	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 362,180</u>	2023.05.29~2024.03.08

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

Derivative instruments	September 30, 2022	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	<u>USD 390,511</u>	2022.03.25~2023.3.13
Foreign exchange swap contracts	<u>USD 21,900</u>	2022.07.08~2022.12.28

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 September 30, 2023, December 31, 2022, and September 30, 2022, such financial assets designated using overlay approach are as follows:

Items	September 30, 2023	December 31, 2022	September 30, 2022
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 703,839	\$ 642,442	\$ 510,129
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	1,001,520	1,172,594	1,143,294
Beneficiary certificates	170,000	310,000	350,000
Foreign beneficiary certificates	160,152	152,730	436,252
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	312,020	(70,758)	(87,811)
	<u>\$ 2,907,511</u>	<u>\$ 2,766,988</u>	<u>\$ 2,911,844</u>

For the three months and nine months ended September 30, 2023 and 2022, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	Three months ended September 30,	
	2023	2022
Gains (losses) recognized in profit or loss under IFRS 9	\$ 121,544	(\$ 103,393)
Less: Gains (losses) recognized in profit or loss under IAS 39	131,504	(306,701)
Gains (losses) reclassified under overlay approach	(\$ 9,960)	\$ 203,308
Effect from change in tax	(\$ 3,647)	\$ 6,730
	Nine months ended September 30,	
	2023	2022
Gains (losses) recognized in profit or loss under IFRS 9	\$ 654,953	(\$ 1,019,686)
Less: Gains (losses) recognized in profit or loss under IAS 39	272,175	(295,662)
Gain (losses) reclassified under overlay approach	\$ 382,778	(\$ 724,024)
Effect from change in tax	(\$ 6,165)	\$ 14,701

E. 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 September 30, 2023	Book value at December 31, 2022	Book value at September 30, 2022	Description
Infrastructure fund	\$ -	\$ -	\$ 381,691	Note
Real estate private placement fund	\$ 154,335	\$ 177,738	\$ 161,318	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	September 30, 2023	December 31, 2022	September 30, 2022
Current items:			
Debt instrument			
Government bonds	\$ -	\$ 250,562	\$ 251,640
Foreign financial bonds	-	<u>169,012</u>	<u>194,168</u>
	-	419,574	445,808
Valuation adjustment (including loss allowance)	-	(1,153)	(1,995)
Less: Operation bonds	<u>-</u>	<u>(202,100)</u>	<u>(202,100)</u>
	<u>\$ -</u>	<u>\$ 216,321</u>	<u>\$ 241,713</u>
Non-current items:			
Debt instrument			
Government bonds	\$ 704,257	\$ 405,004	\$ 108,500
Foreign corporate and financial bonds	-	<u>560,161</u>	<u>584,892</u>
	704,257	965,165	693,392
Valuation adjustment (including loss allowance)	855	(44,031)	(60,749)
Less: Operation bonds	<u>(398,200)</u>	<u>(398,200)</u>	<u>(98,200)</u>
	<u>306,912</u>	<u>522,934</u>	<u>534,443</u>
Equity instruments			
Listed stocks and unlisted stocks	6,528,333	6,511,139	6,511,935
Valuation adjustment	<u>4,240,959</u>	<u>1,377,721</u>	<u>1,306,818</u>
	<u>10,769,292</u>	<u>7,888,860</u>	<u>7,818,753</u>
	<u>\$ 11,076,204</u>	<u>\$ 8,411,794</u>	<u>\$ 8,353,196</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 \$10,769,292, \$7,888,860, and \$7,818,753, respectively, as of September 30, 2023, December 31, 2022, and September 30, 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 September 30, 2023, December 31, 2022, and September 30, 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 September 30,	
	2023	2022
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 1,997)	(\$ 37,850)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	3	5
Reclassified due to derecognition	1	18,019
	<u>(\$ 1,993)</u>	<u>(\$ 19,826)</u>
Interest income recognized in profit or loss	<u>\$ 1,682</u>	<u>\$ 7,823</u>

Items	Nine months ended September 30,	
	2023	2022
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 11,135	(\$ 110,965)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(262)	(36)
Reclassified due to derecognition	34,903	18,368
	<u>\$ 45,776</u>	<u>(\$ 92,633)</u>
Interest income recognized in profit or loss	<u>\$ 7,905</u>	<u>\$ 26,337</u>

Items	Three months ended September 30,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 1,284,868	(\$ 824,728)

Items	Nine months ended September 30,	
	2023	2022
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 2,891,020	(\$ 1,552,444)

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

	September 30, 2023		December 31, 2022		September 30, 2022	
	Current assets	Current liabilities	Current assets	Current liabilities	Current assets	Current liabilities
Cash flow hedges						
<u>Exchange rate risk and interest rate risk</u>						
Cross currency swaps	\$ 511,615	(\$ 1,301,539)	\$ 504,827	(\$ 586,800)	\$ 232,491	(\$ 1,028,549)
Fair value hedges						
<u>Exchange rate risk</u>						
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	September 30, 2023				Changes in fair value in relation to recognizing hedge ineffectiveness basis	Nine months ended September 30, 2023		Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss	
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount		Average exchange rates	Average interest rates		
Cash flow hedges :									
<u>Exchange rate risk and Interest rate risk</u>									
Cross currency swaps transactions	USD	97,550	2022/1/12~2025/1/13	\$ 261,522	\$ -	\$ -	6.33~6.55	1.85~5.30	\$ -
	JPY	58,800,000	2021/9/30~2025/5/2	-	(1,301,539)	-	0.23~0.28	0.83~2.24	-
	EUR	75,000	2022/9/12~2024/9/12	250,093	-	-	30.60	2.04	-

	<u>September 30, 2023</u>
	<u>Valuation on liabilities' carrying amount due to fair value hedges</u>
	<u>Liabilities carrying amount</u>
Hedged items	
Cash flow hedges:	
<u>Exchange rates risk and interest rate risk</u>	
Long-term and short-term borrowings	\$ <u>19,228,091</u> (\$ <u>861,660</u>)

	<u>December 31, 2022</u>				<u>Year ended December 31, 2022</u>				
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>									
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	2020/8/5~2024/9/9	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	-
Forward exchange contracts	GBP	943	2022/12/12~2023/5/5	-	(135)	-	36.88	-	-

	<u>December 31, 2022</u>			
	<u>Assets carrying amount</u>	<u>Valuation on assets' carrying amount due to fair value hedges</u>	<u>Liabilities carrying amount</u>	<u>Valuation on liabilities' carrying amount due to fair value hedges</u>
Hedged items				
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	\$ -	\$ -

Hedging instruments	September 30, 2022					Nine months ended September 30, 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	\$ 191,809	\$ -	-	6.33~6.55	4.108~5.30	\$ -
	JPY	33,800,000	2020/8/15~ 2024/9/9	-	(1,028,549)	-	0.25~0.28	0.83~1.08	-
	EUR	75,000	2022/9/12~ 2024/9/12	40,682	-	-	30.60	2.04	-

		September 30, 2022	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges

Hedged items

Cash flow hedges:

Exchange rates risk and interest
rate risk

Short-term borrowings \$ 12,891,576 (\$ 957,115)

C. Cash flow hedges

	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	(95,555)	272,428
Reclassified to profit or loss as the hedged item has affected profit or loss	(32,607)	(45,559)
Income tax relating to the hedge effectiveness- amount recognized in other comprehensive income	31,077	(52,237)
At September 30	<u>\$ 59,572</u>	<u>\$ 122,156</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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Notes receivable	\$ 2,644,707	\$ 2,400,961	\$ 3,291,010
Installment notes receivable	11,589,735	9,279,605	9,048,717
Accounts receivable	6,672,779	6,745,500	6,719,356
Installment accounts receivable	275,933,833	234,142,170	217,156,023
Lease payments and notes receivable	34,455,319	29,614,771	28,023,115
Premiums receivable	582,362	651,590	669,624
Overdue receivable	<u>18,699</u>	<u>21,806</u>	<u>39,013</u>
	331,897,434	282,856,403	264,946,858
Less: Unrealized interest income	(36,341,454)	(28,830,021)	(25,822,297)
Unearned finance income	(3,376,076)	(2,853,897)	(2,686,969)
Allowance for doubtful accounts	(5,344,305)	(4,780,044)	(4,480,352)
Notes and accounts receivable, net	<u>\$ 286,835,599</u>	<u>\$ 246,392,441</u>	<u>\$ 231,957,240</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	<u>\$ 274,390,066</u>	<u>\$ 237,928,633</u>	<u>\$ 225,235,190</u>
Non-current (shown as other assets)	<u>\$ 12,445,533</u>	<u>\$ 8,463,808</u>	<u>\$ 6,722,050</u>

A. As of September 30, 2023, December 31, 2022, and September 30, 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 \$11,684,978, \$9,419,216 and \$6,054,587, 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 328,138,595	\$ 279,767,763	\$ 261,832,995
Up to 30 days	255,645	373,922	384,649
31 to ~ 90 days	2,052,034	1,529,579	1,453,428
91 to ~ 180 days	1,404,730	878,628	864,114
Over 180 days	<u>46,430</u>	<u>306,511</u>	<u>411,672</u>
	<u>\$ 331,897,434</u>	<u>\$ 282,856,403</u>	<u>\$ 264,946,858</u>

The above aging analysis was based on past due date.

C. As of September 30, 2023, December 31, 2022, and September 30, 2022, the balances of receivables (including notes receivable) from contracts with customers amounted to \$8,960,622, \$8,930,815, and \$10,031,570, respectively.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Up to 12 months	\$ 93,080,770	\$ 80,119,355	\$ 75,884,732
Over 12 months	<u>194,442,798</u>	<u>163,302,420</u>	<u>150,320,008</u>
	<u>\$ 287,523,568</u>	<u>\$ 243,421,775</u>	<u>\$ 226,204,740</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 agreements 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>September 30, 2023</u>						
<u>Financial assets</u>						
<u>Description</u>	<u>Gross amounts of recognized financial assets</u>	<u>Gross amounts of recognized financial liabilities set off</u>	<u>Net amounts of financial assets presented in the balance sheet</u>	<u>Not set off in the balance sheets</u>		<u>Net amount</u>
				<u>Financial instruments</u>	<u>Collateral received</u>		(f)=(c)-(d)- (e)
	(a)	(b)	(c)=(a)-(b)	(d)	(e)	(f)=(c)-(d)- (e)
Reverse repurchase agreement	<u>\$ 3,441,560</u>	<u>\$ -</u>	<u>\$ 3,441,560</u>	<u>\$ -</u>	<u>\$ 3,428,642</u>	<u>\$ 12,918</u>

December 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	\$ 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	\$ -	\$ -

September 30, 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	\$ 308	\$ -	\$ 308	\$ 308	\$ -	\$ -
Reverse repurchase agreement	420,202	-	420,202	-	373,428	46,774
	<u>\$ 420,510</u>	<u>\$ -</u>	<u>\$ 420,510</u>	<u>\$ 308</u>	<u>\$ 373,428</u>	<u>\$ 46,774</u>

Financial liabilities

Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 23,784	\$ -	\$ 23,784	\$ 308	\$ -	\$ 23,476

(7) Inventories

	September 30, 2023		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 8,531,813	(\$ 121,150)	\$ 8,410,663
Air conditioners and parts	4,298,279	(348,474)	3,949,805
Other goods	705,698	(5,824)	699,874
Inventory in transit	2,244,129	-	2,244,129
	<u>\$ 15,779,919</u>	<u>(\$ 475,448)</u>	<u>\$ 15,304,471</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>
	September 30, 2022		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 7,002,868	(\$ 121,890)	\$ 6,880,978
Air conditioners and parts	3,266,289	(316,742)	2,949,547
Other goods	387,961	(6,091)	381,870
Inventory in transit	1,828,000	-	1,828,000
	<u>\$ 12,485,118</u>	<u>(\$ 444,723)</u>	<u>\$ 12,040,395</u>

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

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

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 49,175,859	\$ 43,309,846
(Gain on reversal of) loss on market value decline of inventories	(3,153)	3,709
	<u>\$ 49,172,706</u>	<u>\$ 43,313,555</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cost of goods sold	\$ 146,808,416	\$ 124,350,398
(Gain on reversal of) loss on market value decline of inventories	(6,741)	9,784
	<u>\$ 146,801,675</u>	<u>\$ 124,360,182</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 and nine months ended September 30, 2023.

(8) Prepayments

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Prepayments to commissions	\$ 2,968,803	\$ 2,879,378	\$ 2,847,968
Prepayments to suppliers	4,096,435	3,697,687	3,875,100
Offset against business tax payable	400,679	278,118	306,351
Prepaid insurance premiums	690,485	641,196	627,773
Other prepayments	1,895,762	1,415,247	1,720,598
	<u>\$ 10,052,164</u>	<u>\$ 8,911,626</u>	<u>\$ 9,377,790</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Claims recoverable from reinsurers	\$ 327,254	\$ 206,706	\$ 217,020
Due from reinsurance and ceding companies	105,862	180,747	195,833
Reinsurance reserve assets			
-Ceded unearned premium reserve	2,097,459	1,290,493	1,294,807
-Ceded claims reserve	3,475,972	2,489,734	2,245,332
Due from reinsurance and ceding companies-overdue	<u>25,153</u>	<u>12,660</u>	<u>13,578</u>
	6,031,700	4,180,340	3,966,570
Less: Loss allowance	(<u>24,405</u>)	(<u>14,099</u>)	(<u>14,994</u>)
	<u>\$ 6,007,295</u>	<u>\$ 4,166,241</u>	<u>\$ 3,951,576</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current	\$ 4,297,235	\$ 2,964,445	\$ 3,005,269
Non-current (shown as other assets)	<u>\$ 1,710,060</u>	<u>\$ 1,201,796</u>	<u>\$ 946,307</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	<u>10,306</u>	<u>2,227</u>
At September 30	<u>\$ 24,405</u>	<u>\$ 14,994</u>

C. Details of insurance liabilities are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Unearned premium reserve	\$ 6,789,256	\$ 6,390,579	\$ 6,491,107
Claims reserve	9,415,058	11,379,006	18,808,902
Special reserve	1,662,093	1,647,788	1,615,899
Premium deficiency reserve	-	5,898,278	2,350,318
	<u>\$ 17,866,407</u>	<u>\$ 25,315,651</u>	<u>\$ 29,266,226</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current (shown as other current liabilities)	<u>\$ 12,694,038</u>	<u>\$ 20,486,863</u>	<u>\$ 24,797,216</u>
Non-current (shown as provisions)	<u>\$ 5,172,369</u>	<u>\$ 4,828,788</u>	<u>\$ 4,469,010</u>

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

	<u>2023</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 6,390,579	\$ 1,290,493	\$ 5,100,086
Provision during the period	6,789,256	2,097,459	4,691,797
Recovery during the period	(6,390,579)	(1,290,493)	(5,100,086)
At September 30	<u>\$ 6,789,256</u>	<u>\$ 2,097,459</u>	<u>\$ 4,691,797</u>

	<u>2022</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 6,127,570	\$ 1,183,255	\$ 4,944,315
Provision during the period	6,491,107	1,294,807	5,196,300
Recovery during the period	(6,127,570)	(1,183,255)	(4,944,315)
At September 30	<u>\$ 6,491,107</u>	<u>\$ 1,294,807</u>	<u>\$ 5,196,300</u>

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

(a) As of September 30, 2023, December 31, 2022, and September 30, 2022, details of claims reserve and ceded claims reserve are as follows:

	<u>September 30, 2023</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 3,677,075	\$ 1,732,063	\$ 1,945,012
Incurred but not reported	5,737,983	1,743,909	3,994,074
	<u>\$ 9,415,058</u>	<u>\$ 3,475,972</u>	<u>\$ 5,939,086</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>
	September 30, 2022		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 14,853,228	\$ 1,236,414	\$ 13,616,814
Incurred but not reported	3,955,674	1,008,918	2,946,756
	<u>\$ 18,808,902</u>	<u>\$ 2,245,332</u>	<u>\$ 16,563,570</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	9,415,058	3,475,972	5,939,086
Recovery during the period	(11,379,006)	(2,489,734)	(8,889,272)
At September 30	<u>\$ 9,415,058</u>	<u>\$ 3,475,972</u>	<u>\$ 5,939,086</u>
	2022		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 5,309,570	\$ 1,661,846	\$ 3,647,724
Provision during the period	18,808,902	2,245,332	16,563,570
Recovery during the period	(5,309,570)	(1,661,846)	(3,647,724)
At September 30	<u>\$ 18,808,902</u>	<u>\$ 2,245,332</u>	<u>\$ 16,563,570</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
Recovery during the period	(5,898,278)	-	(5,898,278)
At September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	2022		
	Gross amount	Ceded amount	Net amount
At January 1	\$ -	\$ -	\$ -
Provision during the period	2,350,318	-	2,350,318
At September 30	<u>\$ 2,350,318</u>	<u>\$ -</u>	<u>\$ 2,350,318</u>

G. Movement of special reserve is as follows:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 1,647,788	\$ 1,921,235
Provision during the period	14,305	40,604
Recovery during the period	-	(345,940)
At September 30	<u>\$ 1,662,093</u>	<u>\$ 1,615,899</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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Decrease in special reserve under liability	\$ 33,450	\$ 33,450	\$ 33,450
Increase in special reserve under retained earnings	38,335	38,334	38,335

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Increase in net loss / decrease in net income before tax	\$ -	\$ -
Increase in loss / decrease in earnings per share before tax	-	-

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Increase in net loss / decrease in net income before tax	\$ -	\$ 345,940
Increase in loss / decrease in earnings per share before tax	-	20,609

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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 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 nine months ended September 30, 2023, and 2022.

(10) Investments accounted for using the equity method

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Kuozui Motors, Ltd.	\$ 7,201,904	\$ 5,970,350	\$ 5,874,223
Central Motor Co., Ltd.	2,868,168	2,754,483	2,736,634
Tau Miau Motor Co., Ltd.	1,948,775	1,811,818	1,755,280
Kau Du Automobile Co., Ltd.	1,517,764	1,464,963	1,437,687
Kuotu Motor Co., Ltd.	1,571,781	1,450,904	1,407,914
Taipei Toyota Motor Co., Ltd.	1,421,518	1,297,418	1,246,025
Nan Du Motor Co., Ltd.	1,274,701	1,208,004	1,167,997
Lang Yang Toyota Motor Co., Ltd., etc.	<u>3,302,671</u>	<u>2,801,546</u>	<u>2,759,449</u>
	<u>\$ 21,107,282</u>	<u>\$ 18,759,486</u>	<u>\$ 18,385,209</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 September 30, 2023, December 31, 2022, and September 30, 2022, the carrying amount of the Group's individually immaterial associates amounted to \$21,107,282, \$18,759,486, and \$18,385,209, respectively.

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive income for the period	<u>\$ 921,349</u>	<u>\$ 652,848</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Comprehensive income for the period	<u>\$ 2,592,173</u>	<u>\$ 1,596,013</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 \$902,139, \$603,464, \$2,601,946 and \$1,567,716 for the three months and nine months ended September 30, 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	472	26,278	286	-	1,058,541	211,082	57,058	16,566,198	73,874	693,486	18,687,275
Acquired through business combination	-	-	-	-	825,077	-	-	-	-	-	825,077
Disposals	(557,826)	(1,430)	-	-	(113,388)	(10,309)	(1,883)	(87,210)	(4,193)	-	(776,239)
Reclassifications	(557,968)	1,540,470	-	-	131,215	(56,879)	11,348	(4,719,158)	2,114	(1,577,356)	(5,226,214)
Depreciation	-	(168,454)	(1,192)	(33)	(223,161)	(114,181)	(35,258)	(8,522,508)	(38,517)	-	(9,103,304)
Reversal gain	-	-	-	-	-	1,294	-	21,787	-	-	23,081
Net exchange differences	-	1,256	1	-	464	71	69	992	29	1	2,883
Closing net book amount as of September 30	<u>\$ 11,340,364</u>	<u>\$ 4,918,610</u>	<u>\$ 6,373</u>	<u>\$ 107</u>	<u>\$ 3,049,766</u>	<u>\$ 393,981</u>	<u>\$ 230,875</u>	<u>\$ 43,577,102</u>	<u>\$ 226,706</u>	<u>\$ 1,244,185</u>	<u>\$ 64,988,069</u>
<u>At September 30,</u>											
Cost	\$ 11,367,214	\$ 7,654,015	\$ 128,156	\$ 59,990	\$ 4,832,141	\$ 717,320	\$ 623,591	\$ 63,235,507	\$ 828,011	\$ 1,244,185	\$ 90,690,130
Accumulated depreciation and impairment	(26,850)	(2,735,405)	(121,783)	(59,883)	(1,782,375)	(323,339)	(392,716)	(19,658,405)	(601,305)	-	(25,702,061)
	<u>\$ 11,340,364</u>	<u>\$ 4,918,610</u>	<u>\$ 6,373</u>	<u>\$ 107</u>	<u>\$ 3,049,766</u>	<u>\$ 393,981</u>	<u>\$ 230,875</u>	<u>\$ 43,577,102</u>	<u>\$ 226,706</u>	<u>\$ 1,244,185</u>	<u>\$ 64,988,069</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	1,044,306	234,650	473	-	455,752	96,857	137,982	14,534,543	44,746	1,161,237	17,710,546
Disposals	-	(2,932)	-	-	(132,342)	(1,596)	(5,170)	(278,747)	-	-	(420,787)
Reclassifications	(231,622)	(7,889)	-	-	1,520	(47,913)	(149,587)	(3,967,926)	-	(188,893)	(4,592,310)
Reclassifications to property held for sale	(11,404)	(4,039)	-	-	-	-	-	-	-	-	(15,443)
Depreciation	-	(215,143)	(1,150)	(33)	(209,127)	(155,761)	(40,120)	(7,673,806)	(35,894)	-	(8,331,034)
Impairment loss	-	-	-	-	-	3,035	-	(5,376)	-	-	(2,341)
Net exchange differences	-	42,765	85	-	9,983	1,601	3,889	67,637	196	1,036	127,192
Closing net book amount as of September 30	<u>\$ 12,046,063</u>	<u>\$ 3,603,225</u>	<u>\$ 7,139</u>	<u>\$ 151</u>	<u>\$ 948,146</u>	<u>\$ 333,427</u>	<u>\$ 202,543</u>	<u>\$ 38,587,742</u>	<u>\$ 195,993</u>	<u>\$ 2,170,629</u>	<u>\$ 58,095,058</u>
<u>At September 30,</u>											
Cost	\$ 10,726,946	\$ 6,173,637	\$ 142,402	\$ 59,790	\$ 2,447,023	\$ 792,019	\$ 571,826	\$ 56,641,478	\$ 759,283	\$ 2,170,629	\$ 80,485,033
Revaluation surplus	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,582,491)	(135,263)	(59,639)	(1,498,877)	(458,592)	(369,283)	(18,053,736)	(563,290)	-	(23,748,021)
	<u>\$ 12,046,063</u>	<u>\$ 3,603,225</u>	<u>\$ 7,139</u>	<u>\$ 151</u>	<u>\$ 948,146</u>	<u>\$ 333,427</u>	<u>\$ 202,543</u>	<u>\$ 38,587,742</u>	<u>\$ 195,993</u>	<u>\$ 2,170,629</u>	<u>\$ 58,095,058</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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land(including superficies)	\$ 2,172,180	\$ 1,967,934	\$ 1,786,902
Buildings and structures	1,566,811	1,651,330	1,578,689
Machinery and equipment	1,370	2,192	2,466
Office equipment	8,718	8,240	9,248
	<u>\$ 3,749,079</u>	<u>\$ 3,629,696</u>	<u>\$ 3,377,305</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 44,223	\$ 35,825
Buildings and structures	111,998	101,126
Machinery and equipment	274	274
Office equipment	1,178	897
	<u>\$ 157,673</u>	<u>\$ 138,122</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 131,969	\$ 100,151
Buildings and structures	309,666	299,389
Machinery and equipment	822	822
Office equipment	3,210	1,611
	<u>\$ 445,667</u>	<u>\$ 401,973</u>

C. For the three months and nine months ended September 30, 2023, and 2022, the additions to right-of-use assets amounted to \$62,536, \$99,795, \$651,464 and \$282,927, respectively.

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

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 12,561	\$ 11,214
Expense on short-term lease contracts and leases of low-value assets	18,693	13,890
Gain on lease modification	953	127

	Nine months ended September 30,	
	2023	2022
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 36,609	\$ 34,393
Expense on short-term lease contracts and leases of low-value assets	72,963	35,978
Gain on lease modification	1,100	881

E. For the three months and nine months ended September 30, 2023, and 2022, the Group's total cash outflow for lease amounted to \$158,620, \$136,601, \$617,930 and \$428,438, 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 September 30,	
	2023	2022
Finance income from the net investment in the finance lease	\$ 881,975	\$ 720,322

	Nine months ended September 30,	
	2023	2022
Finance income from the net investment in the finance lease	\$ 2,521,841	\$ 2,055,741

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Less than 1 year	\$ 22,444,698	\$ 19,416,404	\$ 18,347,507
Between 1 and 2 years	8,496,495	7,697,693	7,452,175
Between 2 and 3 years	2,376,957	1,915,978	1,730,205
Between 3 to 4 years	665,308	344,384	280,885
Between 4 to 5 years	418,960	220,731	181,459
More than 6 years	22,438	9,329	1,311
	<u>\$ 34,424,856</u>	<u>\$ 29,604,519</u>	<u>\$ 27,993,542</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Undiscounted lease payments	\$ 34,424,856	\$ 29,596,703	\$ 27,993,542
Unearned finance income	(3,376,076)	(2,853,897)	(2,686,969)
Net investment in the lease	<u>\$ 31,048,780</u>	<u>\$ 26,742,806</u>	<u>\$ 25,306,573</u>

E. For the three months and nine months ended September 30, 2023 and 2022, the Group recognized rent income in the amounts of \$4,867,130, \$4,455,047, \$14,257,932 and \$12,836,220, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Less than 1 year	\$ 13,275,378	\$ 12,445,073	\$ 11,894,646
Between 1 and 2 years	8,545,612	7,788,280	7,571,564
Between 2 and 3 years	4,260,863	3,701,177	3,585,786
Between 3 to 4 years	1,519,349	1,255,538	1,194,178
Between 4 to 5 years	542,688	478,076	450,951
More than 6 years	15,237	17,814	15,980
	<u>\$ 28,159,127</u>	<u>\$ 25,685,958</u>	<u>\$ 24,713,105</u>

(14) Investment property

	<u>2023</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
At January 1			
Cost	\$ 1,825,260	\$ 1,408,890	\$ 3,234,150
Accumulated depreciation	-	(333,226)	(333,226)
	<u>\$ 1,825,260</u>	<u>\$ 1,075,664</u>	<u>\$ 2,900,924</u>
Opening net book amount as of January 1	\$ 1,825,260	\$ 1,075,664	\$ 2,900,924
Additions	-	1,149	1,149
Reclassifications	(387,505)	18,863	(368,642)
Depreciation	-	(14,970)	(14,970)
Net exchange differences	-	415	415
Closing net book amount as of September 30	<u>\$ 1,437,755</u>	<u>\$ 1,081,121</u>	<u>\$ 2,518,876</u>
Cost	\$ 1,437,755	\$ 1,432,096	\$ 2,869,851
Accumulated depreciation	-	(350,975)	(350,975)
	<u>\$ 1,437,755</u>	<u>\$ 1,081,121</u>	<u>\$ 2,518,876</u>

	2022		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,740,187	\$ 1,115,203	\$ 2,855,390
Accumulated depreciation	-	(323,707)	(323,707)
	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
Opening net book amount as of January 1	\$ 1,740,187	\$ 791,496	\$ 2,531,683
Additions	-	290	290
Reclassifications	231,623	336,558	568,181
Depreciation	-	(18,280)	(18,280)
Net exchange differences	-	1,952	1,952
Closing net book amount as of September 30	<u>\$ 1,971,810</u>	<u>\$ 1,112,016</u>	<u>\$ 3,083,826</u>
Cost	\$ 1,971,810	\$ 1,465,002	\$ 3,436,812
Accumulated depreciation	-	(352,986)	(352,986)
	<u>\$ 1,971,810</u>	<u>\$ 1,112,016</u>	<u>\$ 3,083,826</u>

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

	Three months ended September 30,	
	2023	2022
Rental income from investment property	<u>\$ 17,486</u>	<u>\$ 43,717</u>
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	<u>\$ 7,279</u>	<u>\$ 9,260</u>

	Nine months ended September 30,	
	2023	2022
Rental income from investment property	<u>\$ 107,101</u>	<u>\$ 132,126</u>
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	<u>\$ 24,653</u>	<u>\$ 28,344</u>

B. The fair value of the investment properties held by the Group was \$3,531,317, \$3,332,268 and \$3,312,603 as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively. Except for the subsidiary, Hotai Insurance Co., Ltd., other values are based on the recent transaction prices of similar properties in the respective regions of investment properties, taking into account factors such as location, scale, and usage.

Hotai Insurance Co., Ltd. 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				Total
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Purchase agreements</u>	<u>Other intangible assets</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>\$ -</u>	<u>\$ 184,656</u>	<u>\$ 184,656</u>
Opening net book amount as of January 1	\$ -	\$ -	\$ -	\$ 184,656	\$ 184,656
Additions-acquired separately	-	-	-	86,340	86,340
Gain through consolidation	225,327	-	217,530	-	442,857
Amortization	-	-	(3,399)	(50,785)	(54,184)
Transfer	-	-	-	11,570	11,570
Net change differences	-	-	-	(161)	(161)
Closing net book amount as of September 30	<u>\$ 225,327</u>	<u>\$ -</u>	<u>\$ 214,131</u>	<u>\$ 231,620</u>	<u>\$ 671,078</u>
September 30,					
Cost	\$ 887,650	\$ 527,106	\$ 217,530	\$ 572,488	\$ 2,204,774
Accumulated amortization and impairment	(662,323)	(527,106)	(3,399)	(340,868)	(1,533,696)
	<u>\$ 225,327</u>	<u>\$ -</u>	<u>\$ 214,131</u>	<u>\$ 231,620</u>	<u>\$ 671,078</u>

	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	-	-	35,672	35,672
Impairment loss	(662,323)	(430,152)	-	(1,092,475)
Amortization	-	(9,835)	(48,673)	(58,508)
Net change differences	-	-	1,406	1,406
Closing net book amount as of September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,834</u>	<u>\$ 183,834</u>
September 30,				
Cost	\$ 662,323	\$ 439,987	\$ 465,742	\$1,568,052
Accumulated amortization and impairment	(662,323)	(439,987)	(281,908)	(1,384,218)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,834</u>	<u>\$ 183,834</u>

Details of amortization of intangible assets are as follows:

	Three months ended September 30,	
	2023	2022
Administrative expenses	<u>\$ 22,282</u>	<u>\$ 13,590</u>
	Nine months ended September 30,	
	2023	2022
Administrative expenses	<u>\$ 54,184</u>	<u>\$ 58,508</u>

(16) Impairment of non-financial assets

- A. For the year ended December 31, 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 recognized an impairment loss of \$1,092,475. Details of such loss are as follows:

	Nine months ended September 30, 2022	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss - goodwill	\$ 662,323	\$ -
Impairment loss - customer relationships (shown as intangible assets)	430,152	-
	<u>\$ 1,092,475</u>	<u>\$ -</u>

B. The impairment loss reported by operating segments is as follows:

	Nine months ended September 30, 2022	
	Recognised in profit or loss	Recognised in other comprehensive income
Taiwan - other segments	\$ 1,092,475	\$ -

C. The recoverable amounts of goodwill and customer relationship were determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. For the nine months ended September 30, 2022, the key assumptions used for value-in-use calculations are: gross margin of 30.2%, perpetual growth rate of 2.0% and discount rate of 8.4%.

(17) Other assets

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 13,456,224	\$ 9,393,146	\$ 7,336,756
Reinsurance contract assets	1,710,060	1,201,796	946,307
Operation bonds	4,200,300	4,200,300	300,300
Guarantee deposits paid	660,623	571,701	577,347
Prepayments for business facilities	301,866	267,094	178,509
Others	2,011,475	1,749,485	1,586,286
	<u>\$ 22,340,548</u>	<u>\$ 17,383,522</u>	<u>\$ 10,925,505</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.

(18) Short-term loans

Type of loans	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Bank loans			
Unsecured loans	\$ 70,423,922	\$ 72,785,881	\$ 79,912,738
Mortgage loans	6,077,731	7,500,000	9,600,000
Mid-term syndicated loans for working capital	34,540,244	25,047,716	11,043,216
	<u>\$ 111,041,897</u>	<u>\$ 105,333,597</u>	<u>\$ 100,555,954</u>
Annual interest rate	<u>0.57%~6.33%</u>	<u>0.55%~5.59%</u>	<u>0.56%~4.75%</u>

As of September 30, 2023, December 31, 2022, and September 30, 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%~4.40%, 0.83%~4.60% and 0.56%~4.75%, respectively.
- B. The subsidiary, He Jing Co., Ltd., has entered into a mid-term syndicated contract for a credit line of \$ 10 billion with 12 financial institutions including Mega International Commercial Bank, Ltd. in order to fulfil its working capital. The duration is 36 months (starting from the first drawdown), the loan can be drawn several times and is revolving. As of September 30, 2023, no funds have been utilized.
- C. 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. Of the total loan, \$6,025,000 is non-revolving and the payment term is to repay the full drawn amount at the maturity date. The remaining amount of \$7,975,000 is revolving and the payment term is to repay the drawn amounts in installments within the contract period.
- D. 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. Within 12 months from the contract signing date(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.
- E. 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, Ltd. in order to fulfil its working capital. It can be used in installments within 6 months from the date of signing the contract (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.
- F. 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.
- G. 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.
- H. 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.

I. Financial commitments of the Group made for the above mentioned 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.

(19) Short-term notes and bills payable

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Commercial paper payable	\$ 139,511,400	\$ 114,773,400	\$ 97,083,400
Less: Unamortized discount	(132,700)	(133,187)	(131,126)
	<u>\$ 139,378,700</u>	<u>\$ 114,640,213</u>	<u>\$ 96,952,274</u>
Annual interest rate	<u>0.66% ~ 2.63%</u>	<u>0.49% ~ 1.99%</u>	<u>0.48% ~ 1.88%</u>

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Bonds payable	\$ 26,200,000	\$ 22,200,000	\$ 22,200,000

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.

(21) Long-term loans

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	September 30, 2023	December 31, 2022	September 30, 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%~1.51%	None	\$ 152,145	\$ 147,558	\$ 152,079
	From October 2022 to June 2024; interest is repayable monthly	1.64%~1.89%	None	2,000,000	8,000,000	-
	From August 2022 to December 2025; interest is repayable monthly	1.58%~2.01%	None	300,000	250,000	-
	From May 2022 to May 2025; interest is repayable monthly (note)	1.797%~1.945%	None	7,500,000	-	-
Mortgage loan	From August 2022 to August 2025		Notes receivable for lease payments (please refer to Note 8)	-	-	150,000
		1.58%				
Secured borrowings	From July 2019 to March 2030; interest and principal is repayable monthly	2.18%~2.95%	Property, plant and equipment (please refer to Note 8)	1,266,918	-	-
	From June 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 July 2021 to March 2025	0.65%~2.06%	Notes receivable for lease payments (please refer to Note 8)	5,595,612	-	-
	From February 2021 to March 2025	0.65%~1.945%	Notes receivable for lease payments (please refer to Note 8)	-	5,992,131	-
	From March 2020 to March 2025	0.65%~1.138%	Notes receivable for lease payments (please refer to Note 8)	-	-	5,791,546
				16,814,675	14,504,854	6,093,625
Less: long-term liabilities, current portion				(7,120,677)	(2,105,569)	(2,596,921)
				<u>\$ 9,693,998</u>	<u>\$ 12,399,285</u>	<u>\$ 3,496,704</u>
Interest rate range				<u>0.65%~2.95%</u>	<u>0.65%~2.67%</u>	<u>0.65%~1.58%</u>

Note: On January 9, 2023, the Company signed a joint credit agreement for the provision of mid-term operating funds with 10 financial institutions, including CTBC Bank Co., Ltd., with a credit limit of \$30,000,000. Among which, \$15,000,000 can be used several times within six months from the first utilization date, but cannot be used on a revolving basis. The Company made an early repayment in July, 2023, and the remaining unused credit limit of \$10,200,000 has been terminated.

As of September 30, 2023, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 7,120,677
1 to 2 years	1,384,427
2 to 3 years	7,771,468
over 3 years	538,103
	<u>\$ 16,814,675</u>

(22) Accrued expenses

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Wages and salaries payable	\$ 2,494,208	\$ 2,633,453	\$ 2,217,105
Dealer bonus payable	321,774	420,688	238,578
Remuneration payable to employees	760,825	654,661	629,401
Remuneration payable to directors	373,050	-	-
Interest payable	354,376	352,565	270,391
Others	2,399,163	2,561,914	1,951,217
	<u>\$ 6,703,396</u>	<u>\$ 6,623,281</u>	<u>\$ 5,306,692</u>

(23) 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 and nine months ended September 30, 2023, and 2022, were \$75,886, \$141,551, \$308,628 and \$323,475, respectively.

(24) Provisions

	<u>2023</u>	<u>2022</u>
At January 1	\$ 4,928,549	\$ 4,838,945
Additional provisions during the period	1,601,393	1,583,620
Used during the period	(949,029)	(1,015,909)
Unused amounts reversed	(50,554)	(620,396)
At September 30	<u>\$ 5,530,359</u>	<u>\$ 4,786,260</u>

Analysis of provision for warranty is as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current (shown as other current liabilities)	<u>\$ 1,082,267</u>	<u>\$ 1,040,723</u>	<u>\$ 1,017,774</u>
Non-current	<u>\$ 4,448,092</u>	<u>\$ 3,887,826</u>	<u>\$ 3,768,486</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.

(25) Guarantee deposits received

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Deposits received for car rentals	\$ 18,209,248	\$ 16,849,384	\$ 16,391,179
Others	108,583	91,766	102,836
	<u>\$ 18,317,831</u>	<u>\$ 16,941,150</u>	<u>\$ 16,494,015</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Current (shown as other current liabilities)	\$ 9,138,414	\$ 8,686,742	\$ 8,269,520
Non-current	<u>\$ 9,179,417</u>	<u>\$ 8,254,408</u>	<u>\$ 8,224,495</u>

(26) Share capital

A. As of September 30, 2023, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,571,028 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

B. The Company's beginning and ending outstanding common stock adjustment are as follows:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 546,179,184	\$ 546,179,184
Capital surplus transferred to common shares	10,923,584	-
At September 30	<u>\$ 557,102,768</u>	<u>\$ 546,179,184</u>

C. On June 27, 2023, the Company, through a resolution of the shareholders' meeting, decided to execute a capital increase for the issuance of new shares based on undistributed earnings of \$109,236. This involved issuing 10,923,584 new shares with a par value of \$10 per share. The capital increase was approved by the Financial Supervisory Commission and became effective on August 9, 2023.

(27) 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.

(28) Retained earnings

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

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

The Board of Directors of the Company may distribute all or part of the dividends and bonuses in cash by the adoption of a resolution by a majority voting of the directors present at a meeting

- of its board of directors attended by two-thirds of the directors of the company, and report to the shareholders' meeting, to which the aforementioned provision should be resolved by the shareholders' meeting shall not be applied.
- 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 more than 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
- D. On June 21, 2022, the stockholders resolved those total dividends for the distribution of earnings for the year of 2021 was \$10,923,584 (\$20 per share).
- E. On June 27, 2023, the Board of Directors resolved those total dividends for the distribution of earnings for the year 2022 was \$1,201,594 consisting of \$2 of cash dividend and \$0.2 of stock dividend per share.
- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(33).

(29) 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 September 30, 2023

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 40,633,394	\$ 514,001	\$ 2,318,536	\$ 17,083,336	\$ 60,549,267
Inter segments	(2,417,157)	(4)	(89,563)	(2,257,826)	(4,764,550)
Revenue from external customer contracts	<u>\$ 38,216,237</u>	<u>\$ 513,997</u>	<u>\$ 2,228,973</u>	<u>\$ 14,825,510</u>	<u>\$ 55,784,717</u>
Timing of revenue recognition					
At a point in time	\$ 38,216,237	\$ 470,280	\$ 2,228,973	\$ 14,038,906	\$ 54,954,396
Over time	-	43,717	-	786,604	830,321
	<u>\$ 38,216,237</u>	<u>\$ 513,997</u>	<u>\$ 2,228,973</u>	<u>\$ 14,825,510</u>	<u>\$ 55,784,717</u>

Three months ended September 30, 2022

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 32,024,729	\$ 454,416	\$ 1,801,810	\$ 20,707,323	\$ 54,988,278
Inter segments	(2,623,568)	(837)	(78,924)	(2,177,515)	(4,880,844)
Revenue from external customer contracts	<u>\$ 29,401,161</u>	<u>\$ 453,579</u>	<u>\$ 1,722,886</u>	<u>\$ 18,529,808</u>	<u>\$ 50,107,434</u>
Timing of revenue recognition					
At a point in time	\$ 29,401,161	\$ 379,291	\$ 1,721,960	\$ 17,880,927	\$ 49,383,339
Over time	-	74,288	926	648,881	724,095
	<u>\$ 29,401,161</u>	<u>\$ 453,579</u>	<u>\$ 1,722,886</u>	<u>\$ 18,529,808</u>	<u>\$ 50,107,434</u>

Nine months ended September 30, 2023

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 121,635,464	\$ 1,461,895	\$ 6,588,575	\$ 51,917,462	\$ 181,603,396
Inter segments	(7,619,049)	(418)	(271,732)	(6,293,876)	(14,185,075)
Revenue from external customer contracts	<u>\$ 114,016,415</u>	<u>\$ 1,461,477</u>	<u>\$ 6,316,843</u>	<u>\$ 45,623,586</u>	<u>\$ 167,418,321</u>
Timing of revenue recognition					
At a point in time	\$ 114,016,415	\$ 1,313,977	\$ 6,315,806	\$ 43,570,797	\$ 165,216,995
Over time	-	147,500	1,037	2,052,789	2,201,326
	<u>\$ 114,016,415</u>	<u>\$ 1,461,477</u>	<u>\$ 6,316,843</u>	<u>\$ 45,623,586</u>	<u>\$ 167,418,321</u>

Nine months ended September 30, 2022

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$ 94,761,200	\$ 1,306,502	\$ 5,079,742	\$ 56,262,532	\$ 157,409,976
Inter segments	(6,586,496)	(2,408)	(230,214)	(5,747,220)	(12,566,338)
Revenue from external customer contracts	<u>\$ 88,174,704</u>	<u>\$ 1,304,094</u>	<u>\$ 4,849,528</u>	<u>\$ 50,515,312</u>	<u>\$ 144,843,638</u>
Timing of revenue recognition					
At a point in time	\$ 88,174,704	\$ 1,086,318	\$ 4,846,535	\$ 49,102,209	\$ 143,209,766
Over time	-	217,776	2,993	1,413,103	1,633,872
	<u>\$ 88,174,704</u>	<u>\$ 1,304,094</u>	<u>\$ 4,849,528</u>	<u>\$ 50,515,312</u>	<u>\$ 144,843,638</u>

B. Contract assets and liabilities

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Contract assets:			
Contract assets - construction contracts	\$ 103,223	\$ 57,021	\$ 28,474
Contract liabilities:			
Contract liabilities - sales of goods	\$ 1,591,465	\$ 1,516,504	\$ 1,431,661
Contract liabilities -customer loyalty	2,265	1,643	1,707
	<u>\$ 1,593,730</u>	<u>\$ 1,518,147</u>	<u>\$ 1,433,368</u>

For the nine months ended September 30, 2023 and 2022, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$1,018,354 and \$1,324,063, respectively.

(30) Interest income

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Installment revenue	\$ 4,518,057	\$ 3,445,612
Finance leasing revenue	881,975	720,322
Interest from deposits and short-term notes	80,635	61,599
Other interest income	14,648	13,878
	<u>\$ 5,495,315</u>	<u>\$ 4,241,411</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Installment revenue	\$ 12,637,322	\$ 9,636,617
Finance leasing revenue	2,521,841	2,055,741
Interest from deposits and short-term notes	255,685	174,376
Other interest income	40,738	48,268
	<u>\$ 15,455,586</u>	<u>\$ 11,915,002</u>

(31) Premium

	Three months ended September 30,	
	2023	2022
Written premium	\$ 3,184,043	\$ 3,050,947
Reinsurance premium	88,070	101,136
Less: Reinsurance expense	(1,160,538)	(717,155)
Net change in unearned premiums reserve	59,227	156
	<u>\$ 2,170,802</u>	<u>\$ 2,435,084</u>

	Nine months ended September 30,	
	2023	2022
Written premium	\$ 9,333,600	\$ 8,996,404
Reinsurance premium	365,693	376,793
Less: Reinsurance expense	(3,587,928)	(2,132,613)
Net change in unearned premiums reserve	408,288	(251,986)
	<u>\$ 6,519,653</u>	<u>\$ 6,988,598</u>

(32) Expenses by nature

	Three months ended September 30,	
	2023	2022
Employee benefit expense	\$ 2,422,221	\$ 2,692,424
Depreciation	3,264,558	2,989,980
Amortization	40,911	31,876
	<u>\$ 5,727,690</u>	<u>\$ 5,714,280</u>

	Nine months ended September 30,	
	2023	2022
Employee benefit expense	\$ 8,639,484	\$ 7,921,070
Depreciation	9,563,941	8,751,287
Amortization	109,836	93,824
	<u>\$ 18,313,261</u>	<u>\$ 16,766,181</u>

(33) Employee benefit expense

	Three months ended September 30,	
	2023	2022
Wages and salaries	\$ 2,027,952	\$ 2,195,190
Labor and health insurance fees	172,886	204,565
Pension costs	75,886	141,551
Other personnel expenses	145,497	151,118
	<u>\$ 2,422,221</u>	<u>\$ 2,692,424</u>

	Nine months ended September 30,	
	2023	2022
Wages and salaries	\$ 7,329,785	\$ 6,667,575
Labor and health insurance fees	539,030	533,050
Pension costs	308,628	323,475
Other personnel expenses	462,041	396,970
	<u>\$ 8,639,484</u>	<u>\$ 7,921,070</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 channelled to cover losses.
- B. For the three months and nine months ended September 30, 2023, and 2022, employees' remuneration were accrued at \$61,502, (\$61,984), \$186,525 and \$0, respectively; while directors' remuneration were accrued at \$123,003, (\$123,969), \$373,050 and \$0, respectively. The aforementioned amounts were recognized in salary expenses.
- From January 1, 2023, to September 30, 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.

(34) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended September 30,	
	2023	2022
Current tax:		
Current tax expense recognized in the current period	\$ 387,451	\$ 1,354,871
Tax on undistributed surplus earnings	-	(186,114)
Prior year income tax (overestimation) underestimation	(14,477)	7,666
Total current tax	<u>372,974</u>	<u>1,176,423</u>
Deferred tax:		
Origination and reversal of temporary differences	34,427	(948,989)
Total deferred tax	<u>34,427</u>	<u>(948,989)</u>
Income tax expense	<u>\$ 407,401</u>	<u>\$ 227,434</u>

	Nine months ended September 30,	
	2023	2022
Current tax:		
Current tax expense recognized in the current period	\$ 1,775,663	\$ 3,728,980
Tax on undistributed surplus earnings	50,941	56,016
Prior year income tax (overestimation) underestimation	(30,800)	40,132
Total current tax	<u>1,795,804</u>	<u>3,825,128</u>
Deferred tax:		
Origination and reversal of temporary differences	249,227	(1,758,753)
Total deferred tax	<u>249,227</u>	<u>(1,758,753)</u>
Income tax expense	<u>\$ 2,045,031</u>	<u>\$ 2,066,375</u>

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

	Three months ended September 30,	
	2023	2022
Cash flow hedges	<u>(\$ 750)</u>	<u>\$ 4,231</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>\$ 444</u>	<u>(\$ 5,332)</u>
Changes in fair value of financial assets designated using overlay approach	<u>(\$ 3,647)</u>	<u>\$ 6,730</u>

	Nine months ended September 30,	
	2023	2022
Cash flow hedges	(\$ 31,077)	\$ 52,237
Changes in fair value of financial assets at fair value through other comprehensive income	\$ 9,466	(\$ 14,393)
Changes in fair value of financial assets designated using overlay approach	(\$ 6,165)	\$ 14,701

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

C. Subsidiaries, Hotai Insurance Co., Ltd., and Hozan Investment Co., Ltd., carried out capital reduction to offset losses on June 9, 2023, and June 13, 2023, respectively. As a result, the company recognized income tax benefits of \$2,336,120.

(35) Earnings (Losses) per share

	Three months ended September 30, 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	\$ 6,345,600	557,103	\$ 11.39
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 6,345,600	557,103	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	131	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 6,345,600	557,234	\$ 11.38

	Three months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to common shareholders of the parent	(\$13,651,638)	557,103	(\$ 24.50)
<u>Diluted losses per share</u>			
Loss attributable to common shareholders of the parent	(\$13,651,638)	557,103	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	-	
Loss attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	(\$13,651,638)	557,103	(\$ 24.50)

	Nine months ended September 30, 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	\$ 18,455,979	557,103	\$ 33.13
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 18,455,979	557,103	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	285	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 18,455,979	557,388	\$ 33.11

	Nine months ended September 30, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
<u>Basic losses per share</u>			
Loss attributable to common shareholders of the parent	(\$10,171,868)	557,103	(\$ 18.26)
<u>Diluted losses per share</u>			
Loss attributable to common shareholders of the parent	(\$10,171,868)	557,103	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	-	
Loss attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	(\$10,171,868)	557,103	(\$ 18.26)

For the three months and nine months ended September 30, 2023, and 2022, the adjustment of the number of shares in circulation outside the company is retroactively adjusted based on the capital increase ratio in 2023.

(36) Transactions with non-controlling interest

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

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

B. The subsidiary has conducted a cash capital increase, but the company did not exercise its right to subscribe according to its shareholding proportion

As of June 14, 2023, the subsidiary, Hozan Investment Co., Ltd., did not participate in the cash capital increase of the subsidiary, Hotai Insurance Co., Ltd., in accordance with their respective

shareholding proportions. The capital increase amount was \$4,500,000, resulting in the Group's shareholding proportion after the increase being 99.99%. This transaction increased non-controlling interests by \$600, while reducing the equity attributable to the owners of the parent company by \$600.

(37) 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	6,245,346	24,738,487	4,000,000	1,855,147
Impact of changes in foreign exchange rate	42,608	-	4,586	-
Changes in other non-cash items	(579,654)	-	5,010,522	(4,560,434)
September 30	<u>\$ 111,041,897</u>	<u>\$ 139,378,700</u>	<u>\$ 33,320,677</u>	<u>\$ 9,693,998</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	1,417,684	(508,358)	(1,092,358)	36,655,948
Impact of changes in foreign exchange rate	-	2,127	-	49,321
Changes in other non-cash items	(41,003)	561,513	1,099,787	1,490,731
September 30	<u>\$ 18,317,831</u>	<u>\$ 2,436,109</u>	<u>\$ 14,574</u>	<u>\$ 314,203,786</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	34,028,891	(7,909,068)	10,000,000	(41,180)
Impact of changes in foreign exchange rate	205,474	-	19,177	-
Changes in other non-cash items	(444,651)	-	1,198,699	(1,198,699)
September 30	<u>\$ 100,555,954</u>	<u>\$ 96,952,274</u>	<u>\$ 24,796,921</u>	<u>\$ 3,496,704</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	998,852	(358,067)	(10,923,584)	25,795,844
Impact of changes in foreign exchange rate	-	25,510	-	250,161
Changes in other non-cash items	-	299,374	10,926,015	10,780,738
September 30	<u>\$ 16,494,015</u>	<u>\$ 2,091,950</u>	<u>\$ 9,590</u>	<u>\$ 244,397,408</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.	//
Yue Chuan Industrial Co., Ltd. (Original name: 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.	//
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)	//
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	//

Names of related parties	Relationship with the Group
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	Associates
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 & 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.	"
Nantian Technology Co., Ltd.	"
He Ru Co, Ltd.	"

Names of related parties	Relationship with the Group
Innvocation Acto Parts Co., Ltd.	Associates
Shye Shing Enterprise Co., Ltd.	"
Zhonghao Automobile Co., Ltd.	"
Gochabar Technology 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 September 30,	
	2023	2022
(a) Sales revenue:		
-Associates		
Central Motor	\$ 8,279,150	\$ 6,259,644
Tau Miao	7,528,944	5,801,659
Taipei Motor	5,732,943	4,457,180
Kuotu	5,151,714	3,932,941
Others	12,099,452	9,550,015
-Entities controlled by key management	11,667	20,503
	<u>\$ 38,803,870</u>	<u>\$ 30,021,942</u>

	Nine months ended September 30,	
	2023	2022
Sales revenue:		
-Associates		
Central Motor	\$ 24,140,232	\$ 19,045,817
Tau Miao	21,978,837	17,459,320
Taipei Motor	17,650,444	12,990,299
Kuotu	16,597,534	11,373,269
Others	35,228,979	28,933,525
-Entities controlled by key management	49,129	78,041
	<u>\$ 115,645,155</u>	<u>\$ 89,880,271</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 7 of Note 13(1) significant transactions information.

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(b) Rental revenue:		
-Associates	\$ 35,027	\$ 35,900
-Entities controlled by key management	<u>2,845</u>	<u>2,800</u>
	<u>\$ 37,872</u>	<u>\$ 38,700</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Rental revenue:		
-Associates	\$ 110,790	\$ 112,734
-Entities controlled by key management	<u>8,237</u>	<u>7,954</u>
	<u>\$ 119,027</u>	<u>\$ 120,688</u>

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

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(c) Service revenue:		
Service sales:		
-Associates	\$ 25,090	\$ 16,803
-Entities controlled by key management	<u>7,667</u>	<u>9,710</u>
Contracted operating revenue:		
-Associates	<u>6,798</u>	<u>5,949</u>
	<u>\$ 39,555</u>	<u>\$ 32,462</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Service revenue:		
Service sales:		
-Associates	\$ 67,699	\$ 43,866
-Entities controlled by key management	<u>23,008</u>	<u>27,083</u>
Contracted operating revenue:		
-Associates	<u>18,521</u>	<u>18,068</u>
	<u>\$ 109,228</u>	<u>\$ 89,017</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(d) Subsidy income for price difference from installments:		
-Associates	\$ <u>57,282</u>	\$ <u>58,230</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Subsidy income for price difference from installments:		
-Associates	\$ <u>146,826</u>	\$ <u>192,295</u>
	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(e) Warranty revenue		
(shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 47,853	\$ 31,557
-Entities controlled by key management		
TMAP	93,817	80,723
Others	<u>540</u>	<u>30</u>
	\$ <u>142,210</u>	\$ <u>112,310</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Warranty revenue		
(shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 114,754	\$ 87,697
-Entities controlled by key management		
TMAP	232,918	215,311
Others	<u>1,914</u>	<u>384</u>
	\$ <u>349,586</u>	\$ <u>303,392</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 68,140	\$ 60,006
Others	34,058	38,424
-Entities controlled by key management	<u>4,962</u>	<u>3,260</u>
	<u>\$ 107,160</u>	<u>\$ 101,690</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 185,860	\$ 168,506
Others	105,925	96,737
-Entities controlled by key management	<u>24,466</u>	<u>35,526</u>
	<u>\$ 316,251</u>	<u>\$ 300,769</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(g) Miscellaneous income:		
-Associates		
Kuotu	\$ 36,951	\$ 30,973
Others	59,342	52,627
-Entities controlled by key management	<u>21,505</u>	<u>17,671</u>
	<u>\$ 117,798</u>	<u>\$ 101,271</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Miscellaneous income:		
-Associates		
Kuotu	\$ 105,004	\$ 99,151
Others	156,260	138,574
-Entities controlled by key management	<u>62,752</u>	<u>64,981</u>
	<u>\$ 324,016</u>	<u>\$ 302,706</u>

B. Expenditures

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 15,189,246	\$ 15,266,727
Others	656,132	689,518
-Entities controlled by key management		
TMC	11,467,948	8,415,703
Others	3,919,768	6,132,235
	<u>\$ 31,233,094</u>	<u>\$ 30,504,183</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Purchases of goods:		
-Associates		
Kuozui	\$ 47,478,039	\$ 44,440,908
Others	1,892,941	1,901,506
-Entities controlled by key management		
TMC	41,379,469	26,425,131
Others	10,678,405	14,845,638
	<u>\$ 101,428,854</u>	<u>\$ 87,613,183</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 7 of Note 13(1) Significant transactions information.

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(b) Warranty cost:		
-Associates		
Central Motor	\$ 37,656	\$ 34,560
Kuotu	36,800	35,712
Tau Miao	33,594	30,120
Kau Du	24,441	19,223
Taipei Motor	22,438	19,760
Others	26,000	24,750
-Entities controlled by key management	88	-
	<u>\$ 181,017</u>	<u>\$ 164,125</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Warranty cost:		
-Associates		
Central Motor	\$ 93,703	\$ 79,545
Kuotu	89,484	83,045
Tau Miao	83,875	71,388
Kau Du	61,215	47,550
Taipei Motor	58,081	47,518
Others	63,682	61,068
-Entities controlled by key management	1,362	493
	<u>\$ 451,402</u>	<u>\$ 390,607</u>

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
(c) Freight:		
-Associates		
Fan Tai	\$ 53,681	\$ 43,088
Yi Tai	47,749	45,213
Others	801	612
	<u>\$ 102,231</u>	<u>\$ 88,913</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Freight:		
-Associates		
Fan Tai	\$ 155,740	\$ 129,013
Yi Tai	149,914	124,212
Others	2,110	1,919
	<u>\$ 307,764</u>	<u>\$ 255,144</u>

		<u>Three months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>
(d) Commission expense:			
-Entities controlled by key management			
Ho An	\$	331,499	\$ 278,312
		<u>Nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>
Commission expense:			
-Entities controlled by key management			
Ho An	\$	956,085	\$ 785,234
		<u>Three months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>
(e) Others:			
-Associates			
Kuotu	\$	1,915,984	\$ 1,654,453
Tau Miao		1,072,722	1,126,080
Kau Du		1,052,432	1,158,075
Taipei Motor		688,216	954,450
Nan Du		713,586	70,097
Central Motor		-	2,051
Others		-	1
	\$	<u>5,442,940</u>	<u>\$ 4,965,207</u>
		<u>Nine months ended September 30,</u>	
		<u>2023</u>	<u>2022</u>
Others:			
-Associates			
Kuotu	\$	5,280,430	\$ 4,888,840
Tau Miao		3,474,246	2,575,765
Kau Du		3,310,545	3,593,918
Taipei Motor		2,273,459	2,726,447
Nan Du		1,487,433	70,097
Central Motor		1,643	621,792
Others		-	1,026
	\$	<u>15,827,756</u>	<u>\$ 14,477,885</u>

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 7 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
(a) Receivables from related parties:			
-Associates	\$ 1,863,715	\$ 3,024,554	\$ 2,727,866
-Entities controlled by key management	4,472	22,826	14,602
	<u>\$ 1,868,187</u>	<u>\$ 3,047,380</u>	<u>\$ 2,742,468</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
(b) Other receivables from related parties:			
-Associates	\$ 218,683	\$ 182,418	\$ 157,355
-Entities controlled by key management	5,090	7,874	5,783
	<u>\$ 223,773</u>	<u>\$ 190,292</u>	<u>\$ 163,138</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
(c) Accounts payable:			
-Associates			
Kuozui	\$ 958,561	\$ 1,260,947	\$ 1,704,998
Others	803,727	988,002	632,953
-Entities controlled by key management			
TMC	3,808,419	3,499,835	3,216,932
Others	476,310	550,312	718,016
	<u>\$ 6,047,017</u>	<u>\$ 6,299,096</u>	<u>\$ 6,272,899</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
(d) Accrued expenses and other			
-Associates	\$ 510,013	\$ 419,783	\$ 279,607
-Entities controlled by key management	1,193	5,405	189
	<u>\$ 511,206</u>	<u>\$ 425,188</u>	<u>\$ 279,796</u>
	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	\$ 68,119	\$ 72,945	\$ 77,812

D. Prepayments to suppliers

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
-Entities controlled by key management	\$ 178,801	\$ 43,708	\$ 264,089

E. Property transactions

Acquisition of rental assets and equipment

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
-Associates		
Kuotu	\$ 971,877	\$ 894,922
Taipei Motor	405,457	349,824
Central Motor	515,871	327,009
Tau Miao	361,325	218,722
Others	567,044	364,725
-Entities controlled by key management	3,848	-
	<u>\$ 2,825,422</u>	<u>\$ 2,155,202</u>

	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
-Associates		
Kuotu	\$ 2,989,127	\$ 2,776,113
Taipei Motor	1,369,766	1,252,813
Central Motor	1,390,658	1,042,247
Tau Miao	1,008,390	712,539
Others	1,513,697	1,072,276
-Entities controlled by key management	20,360	1,908
	<u>\$ 8,291,998</u>	<u>\$ 6,857,896</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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Lease liabilities:			
- Entities controlled by key management			
Ho Yu	\$ 56,935	\$ 66,373	\$ 71,235
- Associates	6,172	9,186	10,950
	<u>\$ 63,107</u>	<u>\$ 75,559</u>	<u>\$ 82,185</u>

G. Loans to related parties

Loans to related parties

Outstanding balance:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
-Associates			
Chongqing Taikang Heling	\$ 132,573	\$ 132,418	\$ 133,876
Tianjin Binhai Heling	-	-	66,938
	<u>132,573</u>	<u>\$ 132,418</u>	<u>\$ 200,814</u>

(3) Key management remuneration

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 144,707	(\$ 98,643)
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 437,269	\$ 109,958

8. Pledged Assets

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

<u>Pledged asset</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>	<u>Purpose</u>
Notes and accounts receivable (Note 1)	\$ 11,684,978	\$ 9,419,216	\$ 6,054,587	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	4,462,723	4,171,701	577,347	Operation bonds and performance bonds
Restricted assets (Note 3)				
-Demand and time deposits	919,334	737,020	240,787	Short-term borrowings, performance guarantee and issuance of L/C (Note 4)
-Property, plant and equipment	1,658,886	724,936	543,133	Long-term borrowings
	<u>\$ 19,124,121</u>	<u>\$ 15,653,173</u>	<u>\$ 7,716,154</u>	

Note 1: As of September 30, 2023, December 31, 2022, and September 30, 2022, guarantee notes receivable were pledged as collaterals for short-term borrowings and commercial paper payable to banks amounting to \$11,684,978, \$9,419,216, and \$6,054,587, respectively.

Note 2: Shown as 'other assets'.

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

Note 4: As of September 30, 2023, December 31, 2022, and September 30, 2022, the certificates of deposit amounting to \$11,419, \$11,025 and \$11,418, 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

A. Significant contracts signed by the Group with related parties and non-related parties as of September 30, 2023, are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
(a) <u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2022 to December 31, 2024	Sales of imported or domestic models, parts and accessories of Toyota 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.
(b) <u>Chang Yuan Motor Co., Ltd.</u>			
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
(c) <u>Toyota Material Handling Taiwan Ltd.</u>			
Distributor agreement	Toyota Industries Corporation	April 1, 2023 to March 31, 2026	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

B. As of September 30, 2023, the Group has signed equipment purchase contracts, real estate purchase contracts and engineering project payments that have not yet resulted in capital expenditures. The amounts for these contracts are \$2,046,662, \$1,020,084, and \$266,362, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) On October 18, 2023, the issuance of the subsidiary, Hotai Finance Co., Ltd.,'s secured corporate bonds in the amount of \$5,000,000 was approved by the FSC.
- (2) On November 2, 2023, the Board of Directors of the subsidiary, He Jun Energy Co., resolved a participation in the capital increase raised by Mu Dian Energy Co., Ltd. with the expected amount up to \$700,000 and the expected shareholding ratio up to 35% thereafter.

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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 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	\$ 7,013,876	\$ 5,601,568	\$ 5,863,510
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	10,769,292	7,888,860	7,818,753
Qualifying equity instrument	306,912	739,255	776,156
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	17,891,087	15,629,561	18,873,559
Notes receivable	14,491,801	11,928,468	12,589,816
Accounts receivable	259,898,265	226,000,165	212,645,374
Long-term notes and accounts receivable	12,445,533	8,463,808	6,722,050
Other receivables	2,428,569	1,831,274	2,071,069
Guarantee deposits paid	4,860,923	4,772,001	877,647
Other financial assets	3,120,733	3,426,280	3,366,319
Financial assets for hedging	511,615	504,827	232,491
	<u>\$ 333,738,606</u>	<u>\$ 286,786,067</u>	<u>\$ 271,836,744</u>

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ -	\$ 162,608	\$ 23,783
Financial liabilities at amortized cost			
Short-term loans	111,041,897	105,333,597	100,555,954
Short-term notes and bills payable	139,378,700	114,640,213	96,952,274
Notes payable	1,463,036	870,114	933,892
Accounts payable	10,450,325	11,384,815	10,074,173
Accrued expenses	6,703,396	6,623,281	5,306,692
Other payables	1,747,944	1,665,754	1,609,619
Commission payable	215,292	493,435	425,008
Corporate bonds payable (including current portion)	26,200,000	22,200,000	22,200,000
Long-term borrowings(including current portion)	16,814,675	14,504,854	6,093,625
Guarantee deposits received	18,317,831	16,941,150	16,494,015
Other financial liabilities	28,690	39,598	44,379
Lease liabilities	2,436,109	2,380,827	2,091,950
Financial liabilities for hedging	1,301,539	586,935	1,028,549
	<u>\$ 336,099,434</u>	<u>\$ 297,827,181</u>	<u>\$ 263,833,913</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.
- 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. Details of financial assets or liabilities at fair value through profit or loss and financial assets and liabilities for hedging are provided in Notes 6(2) and 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:

	September 30, 2023			December 31, 2022				
	Foreign currency		Book value	Foreign currency		Book value		
	amount (In thousands)	Exchange rate		amount (In thousands)	Exchange rate			
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	51,231	32.2700	\$ 1,653,224	USD	57,655	30.7100	\$ 1,770,585
JPY:NTD	JPY	758,070	0.2162	163,895	JPY	517,516	0.2324	120,271
RMB:NTD	CNY	11,022	4.4191	48,707	CNY	8,465	4.4138	37,363
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	169,680	32.2700	\$ 5,475,574	USD	213,142	30.7100	\$ 6,545,591
JPY:NTD	JPY	151,688	0.2162	32,795	JPY	170,164	0.2324	39,546
RMB:NTD	CNY	10,313	4.4191	45,574	CNY	13,039	4.4138	57,552

	September 30, 2022			
	Foreign currency		Book value	
	amount (In thousands)	Exchange rate		
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	57,695	31.7500	\$ 1,831,816
JPY:NTD	JPY	592,081	0.2201	130,317
RMB:NTD	CNY	9,200	4.4625	41,055
USD:RMB (Note)	USD	1,057	7.1148	33,560
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	219,927	31.7500	\$ 6,982,682
JPY:NTD	JPY	173,852	0.2201	38,265
RMB:NTD	CNY	3,078	4.4625	13,736

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 gains (losses), including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2023, and 2022, amounted to \$153,504, (\$225,726), \$227,395, and (\$145,988), 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:

	<u>Nine months ended September 30, 2023</u>			<u>Nine months ended September 30, 2022</u>		
	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%	\$ 16,532	\$ -	1%	\$ 18,318	\$ -
JPY:NTD	1%	1,639	-	1%	1,303	-
RMB:NTD	1%	487	-	1%	411	-
USD:RMB (Note)	1%	-	-	1%	336	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 54,756	\$ -	1%	\$ 69,827	\$ -
JPY:NTD	1%	328	-	1%	383	-
RMB:NTD	1%	456	-	1%	137	-

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 nine months ended September 30, 2023, and 2022 would have increased/decreased by \$ 658,927 and \$258,016, 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 September 30, 2023, December 31, 2022, and September 30, 2022, HFC has financial instruments with off-balance-sheet credit risk amounting to \$2,587,047, \$3,779,139 and \$ 4,291,543, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$34,284, \$71,213 and \$71,709, 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 60 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 \$73,661.
- vii. The following indicators are used by Subsidiary, Hotai Finance Co., Ltd. to determine whether the credit impairment of debt instruments has occurred:
 - (i.) It becomes probable that the issuer or the borrower will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii.) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii.) Default or delinquency in interest or principal repayments; and
 - (iv.) Adverse changes in national or regional economic conditions that are expected to cause a default.

viii. For accounts receivable and notes receivable, the credit rating levels are presented below:

	<u>Lifetime</u>				<u>Total</u>
	<u>12 months expected credit loss</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Simplified approach</u>	
<u>September 30, 2023</u>					
Neither past due nor impaired	\$ 316,264,761	\$ -	\$ -	\$ 213,313	\$316,478,074
Past due or case assessment	-	<u>1,205,697</u>	<u>2,031,451</u>	-	<u>3,237,148</u>
	<u>\$ 316,264,761</u>	<u>\$1,205,697</u>	<u>\$2,031,451</u>	<u>\$ 213,313</u>	<u>\$319,715,222</u>
<u>December 31, 2022</u>					
Neither past due nor impaired	\$ 268,516,629	\$ -	\$ -	\$ 88,086	\$268,604,715
Past due or case assessment	-	<u>794,078</u>	<u>1,558,298</u>	-	<u>2,352,376</u>
	<u>\$ 268,516,629</u>	<u>\$ 794,078</u>	<u>\$1,558,298</u>	<u>\$ 88,086</u>	<u>\$270,957,091</u>
<u>September 30, 2022</u>					
Neither past due nor impaired	\$ 250,060,911	\$ -	\$ -	\$ 55,278	\$250,116,189
Past due or case assessment	-	<u>657,336</u>	<u>1,405,203</u>	-	<u>2,062,539</u>
	<u>\$ 250,060,911</u>	<u>\$ 657,336</u>	<u>\$1,405,203</u>	<u>\$ 55,278</u>	<u>\$252,178,728</u>

ix. The subsidiary, Hotai Finance Co., Ltd. used historical expense and the forward-looking information, such as forecastability of future economic environment to assess the default possibility. For the nine months ended September 30, 2023 and 2022, the movements of the loss allowance of trade receivables were as follows:

	Nine months ended September 30, 2023			
	12 months expected credit loss	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
At January 1	\$ 2,989,387	\$ 349,790	\$ 1,369,707	\$ 4,708,884
Adjustment for retrospective	(52,531)	(141,774)	194,305	-
Provision for impairment	412,745	258,353	2,437,174	3,108,272
Write-offs	-	-	(2,557,747)	(2,557,747)
Effect of foreign exchange	650	29	(55)	624
	<u>\$ 3,350,251</u>	<u>\$ 466,398</u>	<u>\$ 1,443,384</u>	<u>\$ 5,260,033</u>

	Nine months ended September 30, 2022			
	12 months expected credit loss	Lifetime		Total
		Significant increase in credit risk	Impairment of credit	
At January 1	\$ 2,635,251	\$ 211,861	\$ 875,094	\$ 3,722,206
Adjustment for retrospective	(32,329)	(71,801)	104,130	-
Provision for impairment	201,126	161,138	1,409,121	1,771,385
Write-offs	-	-	(1,133,273)	(1,133,273)
Effect of foreign exchange	26,779	1,590	11,288	39,657
	<u>\$ 2,830,827</u>	<u>\$ 302,788</u>	<u>\$ 1,266,360</u>	<u>\$ 4,399,975</u>

For the nine months ended September 30, 2023 and 2022, gain on recoverable bad debts amounted to \$694,606 and \$578,474, respectively, presented as a deduction item to expected credit loss.

- x. As of September 30, 2023, December 31, 2022 and September 30, 2022, information relating to credit risk of the Company's subsidiary, Hotai Insurance Co., Ltd. is provided in Note 12(6) A.

(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 always maintaining sufficient headroom on its undrawn committed borrowing facilities 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 September 30, 2023, December 31, 2022, and September 30, 2022, the Group's unused credit line amounted to \$158,170,522, \$140,840,395, and \$114,978,435, 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>September 30, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 90,506,212	\$ 14,765,331	\$ 6,945,936
Short-term notes and bills payable	122,450,968	9,931,593	6,996,139
Notes payable	1,463,036	-	-
Accounts payable	10,450,325	-	-
Accrued expenses	6,703,396	-	-
Other payables	1,747,944	-	-
Commission payable	215,292	-	-
Lease liabilities	516,286	407,745	1,157,945
Bonds payable	269,000	17,195,918	9,369,941
Long-term loans (including current portion)	7,120,677	1,384,427	8,309,571

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>September 30, 2022</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 83,149,614	\$ 11,223,172	\$ 7,099,287
Short-term notes and bills payable	74,729,531	13,286,855	8,935,888
Notes payable	933,892	-	-
Accounts payable	10,074,173	-	-
Accrued expenses	5,306,692	-	-
Other payables	1,609,619	-	-
Commission payable	425,008	-	-
Lease liabilities	476,528	390,874	1,462,663
Bonds payable	209,000	209,000	22,356,106
Long-term loans (including current portion)	2,600,000	2,300,000	1,202,079

Derivative financial liabilities:

<u>September 30, 2023</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ 1,243,930	\$ 57,609	\$ -

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>September 30, 2022</u>	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ 228,837	\$ 873,621
Forward exchange contracts	23,783	-	-

- 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>September 30, 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	\$ 2,232,853	\$ -	\$ 154,335	\$ 2,387,188
Forward exchange contracts	-	213,575	-	213,575
Bond investment	-	1,004,770	-	1,004,770
Equity securities	1,820,879	-	-	1,820,879
Exchange traded funds	1,100,011	-	-	1,100,011
Financial instruments	-	487,453	-	487,453
Derivative financial assets for hedging	-	511,615	-	511,615
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	705,112	-	705,112
Equity securities	10,294,593	-	474,699	10,769,292
	<u>\$15,448,336</u>	<u>\$ 2,922,525</u>	<u>\$ 629,034</u>	<u>\$18,999,895</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Derivative financial liabilities for hedging	<u>\$ -</u>	<u>\$ 1,301,539</u>	<u>\$ -</u>	<u>\$ 1,301,539</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>
<u>Assets</u>				
<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>
<u>Liabilities</u>				
<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>September 30, 2022</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	\$ 1,111,690	\$ -	\$ 543,009	\$ 1,654,699
Forward exchange contracts	-	581,313	-	581,313
Foreign exchange swap contracts	-	308	-	308
Bond investment	-	1,002,836	-	1,002,836
Equity securities	946,737	-	-	946,737
Exchange traded funds	1,028,675	-	-	1,028,675
Financial instruments	-	648,942	-	648,942
Derivative financial assets for hedging	-	232,491	-	232,491
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,076,456	-	1,076,456
Equity securities	7,375,894	-	442,859	7,818,753
	<u>\$ 10,462,996</u>	<u>\$ 3,542,346</u>	<u>\$ 985,868</u>	<u>\$14,991,210</u>
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 23,783	\$ -	\$ 23,783
Derivative financial liabilities for hedging	-	1,028,549	-	1,028,549
	<u>\$ -</u>	<u>\$ 1,052,332</u>	<u>\$ -</u>	<u>\$ 1,052,332</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 nine months ended September 30, 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	-	66,824
Recorded as gains (losses) on financial assets at fair value through profit or loss	(30,825)	-
Acquired during the period	7,422	16,000
At September 30	<u>\$ 154,335</u>	<u>\$ 474,699</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	32,007	-
Recorded as gains on financial assets at fair value through profit or loss	-	76,089
Acquired during the period	73,507	-
At September 30	<u>\$ 543,009</u>	<u>\$ 442,859</u>

- F. For the nine months ended September 30, 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:

	Fair value at September 30, 2023	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 474,699	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.
Real estate private placement fund	154,335	Net assets value	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
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

	Fair value at September 30, 2022	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 442,859	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	543,009	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 September 30, 2023, December 31, 2022 and September 30, 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 subsidiary 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 subsidiary. The subsidiary 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 subsidiary 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 subsidiary'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 of the subsidiary, Hotai Insurance Co., Ltd. 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 of the subsidiary, Hotai Insurance Co., Ltd. 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, Hotai Insurance Co., Ltd. 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 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	100,000	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 nine months ended September 30, 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	-	-	-	(4,809)	(4,809)
At September 30	\$ -	\$ -	\$ 160	\$ 19,576	\$ 19,736

	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	-	-	-	7,501	7,501
At September 30	\$ -	\$ -	\$ 160	\$ 33,616	\$ 33,776

As of September 30, 2023, December 31, 2022, and September 30, 2022, the allowance for loss of abovementioned financial assets was \$19,736, \$24,545 and \$33,776, respectively, and the maximum exposure to credit risk was \$949,318, \$945,389 and \$1,238,436, respectively.

- (f) As of September 30, 2023, December 31, 2022, and September 30, 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 \$2,471,464, \$2,353,879 and \$1,972,743, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

Credit risk rating	September 30, 2023	December 31, 2022	September 30, 2022
tw AAA	\$ 710,331	\$ 797,023	\$ 499,894
tw AA+	9,082	176,899	222,590
tw AA	348,815	134,294	140,704
tw AA-	110,447	132,511	533,656
tw A+	310,945	222,298	221,787
tw A	981,844	889,064	372,552
tw A-	-	1,790	1,560
	<u>\$ 2,471,464</u>	<u>\$ 2,353,879</u>	<u>\$ 1,992,743</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.04%, 0%~0.06% and 0%~0.06%, respectively, the amounts of allowance for loss were \$565, \$797 and \$563 respectively, and the maximum exposure amounts were \$2,470,899, \$2,353,082 and \$1,992,180, 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 nine months ended September 30, 2023, and 2022, the movements of allowance for loss are as follows:

	<u>2023</u>	<u>2022</u>
At January 1	\$ 797	\$ 592
Provisions (amounts reversed) during the period	(232)	(29)
At September 30	<u>\$ 565</u>	<u>\$ 563</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 nine months ended September 30, 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):

Nine months ended September 30, 2023

<u>Credit rating levels (S&P)</u>	<u>Reinsurance premiums ceded</u>	<u>Percentage</u>
AA+	\$ 584	0.02
AA	517,426	15.47
AA-	42,579	1.27
A++	2,373	0.07
A+	2,021,123	60.43
A	96,702	2.89
A-	2,282	0.07
BBB+	17,278	0.52
Unrated	644,284	19.26
Total	<u>\$ 3,344,631</u>	<u>100.00</u>

Nine months ended September 30, 2022

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 377,593	19.83
AA-	68,443	3.59
A+	753,616	39.58
A	77,881	4.09
A-	7,238	0.38
BBB+	41,854	2.20
Unrated	577,403	30.33
Total	\$ 1,904,028	100.00

Note: Compulsory automobile insurance and residential earthquake insurance are excluded.

B. Liquidity risk management

Liquidity risk is the risk that the subsidiary, Hotai Insurance Co., Ltd. may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The subsidiary is not exposed to liquidity risk as there is no need for the subsidiary to hold adequate current assets to fulfill the financial liabilities as they become due or use higher costs to settle relevant financial liabilities.

(a) Cash flow control and hedging strategy

With the following controls and hedge strategies, the working capital of the subsidiary, Hotai Insurance Co., Ltd. is sufficient to meet insurance services and operational needs, and no liquidity risk is expected.

- i. The investment in debt instruments and equity instruments are mostly traded in the active market and can be expected to be disposed at the price close to fair value.
- ii. To make sure liquidity fund fulfill the liabilities when they fall due or capital requirements, the subsidiary manages liquidity through bank deposits and money market instruments.
- iii. To make sure the effectiveness of liquidity risk management, cash flow analysis is employed, the subsidiary generates yearly and monthly net cash flow forecast according to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

To effectively manage liquidity risk, except for holding a considerable portion of current assets, the subsidiary also limits the proportion of investment amount and reviews current assets and liabilities on a regular basis to ensure that above requirement is fully supported.

(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>September 30, 2023</u>				
Insurance liabilities	\$ 12,475,107	\$ 3,510,298	\$ 217,923	\$ 1,663,079
Payables	2,476,838	-	-	-
Deposits-in	467	1,340	-	-
Lease liabilities	35,792	17,580	-	-

	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>September 30, 2022</u>				
Insurance liabilities	\$ 24,797,216	\$ 2,647,454	\$ 204,574	\$ 1,616,982
Payables	1,496,136	-	-	-
Deposits-in	2,764	1,889	-	-
Lease liabilities	56,745	34,582	-	-

ii. Derivatives

As of September 30, 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:

	September 30, 2023		
	Change of variables		Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 240,274
	Decrease in price	10%	(240,274)
	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)
	September 30, 2022		
	Change of variables		Change in other comprehensive income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 240,901
	Decrease in price	10%	(240,901)

(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:

	September 30, 2023		
	Change of variables		Change in fair value
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 56,903)
	Decrease in interest rate	100 basis point	56,903
	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

	September 30, 2022	
	Change of variables	Change in fair value
Fixed-income investments	Increase in interest rate 100 basis point	(\$ 54,376)
	Decrease in interest rate 100 basis point	54,376

(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:

	September 30, 2023	December 31, 2022	September 30, 2022
Foreign exchange rate	32.39	30.73	31.82

The US dollar assets and liabilities are shown as below:

	September 30, 2023	December 31, 2022	September 30, 2022
USD Assets	USD 11,142 thousand	USD 28,879 thousand	USD 42,929 thousand
USD Liabilities	USD 6,635 thousand	USD 635 thousand	USD 391 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:

	September 30, 2023	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD (\$	7,274)
	Depreciate 5% against NTD	7,274
	December 31, 2022	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD (\$	14,181)
	Depreciate 5% against NTD	14,181
	September 30, 2022	
	Change on variable	Impact on net (loss) income
USD assets, net	Appreciate 5% against NTD (\$	35,542)
	Depreciate 5% against NTD	35,542

(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 nine months ended September 30, 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	Nine months ended September 30, 2023	
	Premiums revenue	Retention premiums
Fire insurance	\$ 1,399,156	\$ 446,475
Engineering insurance	253,539	62,684

Line of Business	Nine months ended September 30, 2022	
	Premiums revenue	Retention premiums
Fire insurance	\$ 1,373,125	\$ 524,782
Engineering insurance	178,436	39,962

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 claim 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 nine months ended September 30, 2023, and 2022 and the result is shown below:

Line of Business	Nine months ended September 30, 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	\$ 184,717	\$ 146,239	\$ 184,717	\$ 146,239
Automobile third party liability insurance	103,135	82,934	103,135	82,934
Personal property insurance	2,492	1,895	2,492	1,895
Commercial property insurance	57,932	18,098	57,932	18,098
Liability insurance	44,707	32,076	44,707	32,076
Marine cargo insurance	9,278	6,038	9,278	6,038
Engineering insurance	9,561	2,367	9,561	2,367
Personal accident insurance	32,631	30,831	32,631	30,831
Health insurance	13,856	13,054	13,856	13,054
Foreign inward reinsurance	568	353	569	353

Line of Business	Nine months ended September 30, 2022			
	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	\$ 160,377	\$ 138,204	\$ 160,377	\$ 138,204
Automobile third party liability insurance	85,645	75,791	85,645	75,791
Personal property insurance	2,657	2,357	2,657	2,357
Commercial property insurance	54,374	19,938	54,374	19,938
Liability insurance	47,546	37,203	47,546	37,203
Marine cargo insurance	10,157	7,336	10,157	7,336
Engineering insurance	8,148	2,105	8,148	2,105
Personal accident insurance	40,771	39,594	40,771	39,594
Health insurance	18,655	18,441	18,655	18,441
Foreign inward reinsurance	757	414	757	414

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 nine months ended September 30, 2023 and 2022.

C. Loss development pattern

As of September 30, 2023, December 31, 2022 and September 30, 2022, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows:

(a) Direct business

<u>September 30, 2023</u>	Accident Year					Total
	Before 2019	2020	2021	2022	Nine months ended September 30, 2023	
<u>Development Year</u>						
End of underwriting year	\$ 31,265,039	\$ 4,699,953	\$ 5,817,499	\$ 41,070,594	\$ 10,036,246	
One year after underwriting year	30,978,084	4,769,156	5,627,586	41,641,898	-	
Two years after underwriting year	30,801,697	4,489,255	5,704,356	-	-	
Three years after underwriting year	30,449,080	4,406,153	-	-	-	
Four years after underwriting year	30,632,552	-	-	-	-	
Estimated ultimate losses	30,632,552	4,406,153	5,704,356	41,641,898	10,036,246	
Paid losses	(29,787,816)	(3,990,466)	(4,289,366)	(39,854,528)	(5,689,524)	
Total reserve	<u>\$ 844,736</u>	<u>\$ 415,687</u>	<u>\$ 1,414,990</u>	<u>\$ 1,787,370</u>	<u>\$ 4,346,722</u>	\$ 8,809,505
Adjustment item (Note)						605,553
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 9,415,058</u>

<u>December 31, 2022</u>	Accident Year					Total
	Before 2018	2019	2020	2021	2022	
<u>Development Year</u>						
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	<u>\$ 594,842</u>	<u>\$ 342,622</u>	<u>\$ 660,834</u>	<u>\$ 1,369,121</u>	<u>\$ 7,872,789</u>	\$ 10,840,208
Adjustment item (Note)						538,798
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 11,379,006</u>

<u>September 30, 2022</u>	Accident Year					Total
	Before 2018	2019	2020	2021	Nine months ended September 30, 2022	
<u>Development Year</u>						
End of underwriting year	\$ 27,880,901	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	\$ 27,617,618	
One year after underwriting year	27,532,055	3,730,672	4,769,156	5,808,185	-	
Two years after underwriting year	27,247,411	3,690,308	4,617,174	-	-	
Three years after underwriting year	27,111,389	3,548,544	-	-	-	
Four years after underwriting year	26,876,445	-	-	-	-	
Estimated ultimate losses	26,876,445	3,548,544	4,617,174	5,808,185	27,617,618	
Paid losses	(26,362,363)	(3,195,418)	(3,981,639)	(4,358,003)	(12,380,494)	
Total reserve	<u>\$ 514,082</u>	<u>\$ 353,126</u>	<u>\$ 635,535</u>	<u>\$ 1,450,182</u>	<u>\$ 15,237,124</u>	\$ 18,190,049
Adjustment item (Note)						618,853
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 18,808,902</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

<u>September 30, 2023</u>	<u>Accident Year</u>					<u>Total</u>
	<u>Before 2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Nine months ended September 30, 2023</u>	
<u>Development Year</u>						
End of underwriting year	\$ 21,917,429	\$ 4,058,783	\$ 4,565,572	\$ 39,328,137	\$ 8,570,746	
One year after underwriting year	21,690,012	4,130,722	4,386,827	39,813,739	-	
Two years after underwriting year	21,607,471	3,877,850	4,451,025	-	-	
Three years after underwriting year	21,373,100	3,808,738	-	-	-	
Four years after underwriting year	21,336,073	-	-	-	-	
Estimated ultimate losses	21,336,073	3,808,738	4,451,025	39,813,739	8,570,746	
Paid losses	(20,987,239)	(3,550,046)	(3,698,508)	(38,968,670)	(5,239,428)	
Total reserve	<u>\$ 348,834</u>	<u>\$ 258,692</u>	<u>\$ 752,517</u>	<u>\$ 845,069</u>	<u>\$ 3,331,318</u>	\$ 5,536,430
Adjustment item (Note)						<u>402,656</u>
						<u>\$ 5,939,086</u>

<u>December 31, 2022</u>	<u>Accident Year</u>					<u>Total</u>
	<u>Before 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	
<u>Development Year</u>						
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 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)						<u>399,775</u>
						<u>\$ 8,889,272</u>

<u>September 30, 2022</u>	<u>Accident Year</u>					<u>Total</u>
	<u>Before 2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Nine months ended September 30, 2022</u>	
<u>Development Year</u>						
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 26,284,268	
One year after underwriting year	18,702,131	3,224,195	4,130,722	4,557,908	-	
Two years after underwriting year	18,465,817	3,193,907	3,999,554	-	-	
Three years after underwriting year	18,413,564	3,068,315	-	-	-	
Four years after underwriting year	18,284,726	-	-	-	-	
Estimated ultimate losses	18,284,726	3,068,315	3,999,554	4,557,908	26,284,268	
Paid losses	(17,913,010)	(2,856,748)	(3,550,643)	(3,763,924)	(12,026,237)	
Total reserve	<u>\$ 371,716</u>	<u>\$ 211,567</u>	<u>\$ 448,911</u>	<u>\$ 793,984</u>	<u>\$ 14,258,031</u>	\$ 16,084,209
Adjustment item (Note)						<u>479,361</u>
						<u>\$ 16,563,570</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>September 30, 2023</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 5,104,528	\$ 5,104,528	\$ -
Receivables	878,934	878,934	-
Current income tax assets	10,353	-	10,353
Financial assets at fair value through profit or loss	2,907,511	2,402,741	504,770
Financial assets at fair value through other comprehensive income	306,912	199,560	107,352
Other financial assets	1,736,191	1,736,191	-
Right-of-use assets	45,271	-	45,271
Investment property	395,581	-	395,581
Reinsurance contract assets	6,007,295	4,297,235	1,710,060
Property and equipment	3,822,723	-	3,822,723
Intangible assets	128,277	-	128,277
Deferred income tax assets	1,607,543	-	1,607,543
Other assets	4,669,337	336,113	4,314,224
<u>Liabilities</u>			
Payables	\$ 3,500,000	\$ 3,500,000	\$ -
Borrowings	2,476,838	2,476,838	-
Insurance liabilities	17,866,407	12,475,107	5,391,300
Lease liabilities	48,364	34,792	12,572
Deferred income tax liabilities	44,761	-	44,761
Other liabilities	256,295	354,955	1,340

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<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

Liabilities

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

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2022</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,058,376	\$ 3,058,376	\$ -
Receivables	1,161,658	1,161,658	-
Current income tax assets	4,571	-	4,571
Assets held for sale	15,443	15,443	-
Financial assets at fair value through profit or loss	2,912,152	2,409,315	502,837
Financial assets at fair value through other comprehensive income	776,156	241,713	534,443
Other financial assets	1,603,729	1,598,774	4,955
Right-of-use assets	89,166	-	89,166
Investment property	573,185	-	573,185
Reinsurance contract assets	3,951,576	3,005,269	946,307
Property and equipment	3,689,003	-	3,689,003
Intangible assets	115,045	-	115,045
Deferred income tax assets	2,055,468	-	2,055,468
Other assets	771,616	493,400	278,216

	Book value	Within 12 months	Over 12 months
<u>September 30, 2022</u>			
<u>Liabilities</u>			
Short-term loans	\$ 5,000,000	\$ 5,000,000	\$ -
Payables	1,496,136	1,496,136	-
Financial liabilities at fair value through profit or loss	23,783	23,783	-
Insurance liabilities	29,266,226	24,797,216	4,469,010
Lease liabilities	90,567	56,745	33,822
Deferred income tax liabilities	154,425	-	154,425
Other liabilities	144,569	142,680	1,889

(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 Cathay 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 SUN 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. On 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 September 30, 2023						
<u>Category of insurance</u>	<u>Written premiums</u> (1)	<u>Reinsurance premiums</u> (2)	<u>Reinsurance premiums ceded</u> (3)	<u>Retention premiums</u> (4)=(1)+(2)-(3)	<u>Net change in unearned premium</u> (5)	<u>Retention earned premiums</u> (6)=(4)-(5)
Compulsory insurance	\$ 132,676	\$ 50,247	\$ 53,647	\$ 129,276	\$ 3,033	\$ 126,243
Elective insurance	92,198,740	37,823	1,106,891	91,129,672	(62,261)	91,191,933
	92,331,416	88,070	1,160,538	91,258,948	(59,228)	91,318,176
Discount	2	-	-	2	-	2
	<u>\$ 92,331,418</u>	<u>\$ 88,070</u>	<u>\$ 1,160,538</u>	<u>\$ 91,258,950</u>	<u>(\$ 59,228)</u>	<u>\$ 91,318,178</u>

Nine months ended September 30, 2023						
<u>Category of insurance</u>	<u>Written premiums</u> (1)	<u>Reinsurance premiums</u> (2)	<u>Reinsurance premiums ceded</u> (3)	<u>Retention premiums</u> (4)=(1)+(2)-(3)	<u>Net change in unearned premium</u> (5)	<u>Retention earned premiums</u> (6)=(4)-(5)
Compulsory insurance	\$ 407,674	\$ 145,885	\$ 166,278	\$ 387,281	\$ 12,295	\$ 374,986
Elective insurance	98,480,594	219,808	3,421,650	6,278,752	(420,583)	6,699,335
	98,888,268	365,693	3,587,928	6,666,033	(408,288)	7,074,321
Discount	4	-	-	4	-	4
	<u>\$ 98,888,272</u>	<u>\$ 365,693</u>	<u>\$ 3,587,928</u>	<u>\$ 6,666,037</u>	<u>(\$ 408,288)</u>	<u>\$ 7,074,325</u>

Three months ended September 30, 2022

Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 125,054	\$ 46,057	\$ 50,804	\$ 120,307	\$ 4,410	\$ 115,897
Elective insurance	3,032,853	55,078	666,351	2,421,580	(4,567)	2,426,147
	3,157,907	101,135	717,155	2,541,887	(157)	2,542,044
Discount	(9)	-	-	(9)	-	(9)
	<u>\$ 3,157,898</u>	<u>\$ 101,135</u>	<u>\$ 717,155</u>	<u>\$ 2,541,878</u>	<u>(\$ 157)</u>	<u>\$ 2,542,035</u>

Nine months ended September 30, 2022

Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 361,973	\$ 134,414	\$ 147,095	\$ 349,292	\$ 11,726	\$ 337,566
Elective insurance	8,837,713	242,379	1,985,518	7,094,574	240,260	6,854,314
	9,199,686	376,793	2,132,613	7,443,866	251,986	7,191,880
Discount	(10)	-	-	(10)	-	(10)
	<u>\$ 9,199,676</u>	<u>\$ 376,793</u>	<u>\$ 2,132,613</u>	<u>\$ 7,443,856</u>	<u>\$ 251,986</u>	<u>\$ 7,191,870</u>

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

<u>Three months ended September 30, 2023</u>				
<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	\$ 84,345	\$ 44,253	\$ 50,595	\$ 78,003
Elective insurance	1,456,367	11,743	307,793	1,160,317
	<u>\$ 1,540,712</u>	<u>\$ 55,996</u>	<u>\$ 358,388</u>	<u>\$ 1,238,320</u>
<u>Nine months ended September 30, 2023</u>				
<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	\$ 212,585	\$ 113,508	\$ 126,174	\$ 199,919
Elective insurance	12,002,179	234,304	807,342	11,429,141
	<u>\$ 12,214,764</u>	<u>\$ 347,812</u>	<u>\$ 933,516</u>	<u>\$ 11,629,060</u>

Three months ended September 30, 2022				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 54,020	\$ 50,840	\$ 32,430	\$ 72,430
Elective insurance	10,516,802	28,387	223,368	10,321,821
	<u>\$ 10,570,822</u>	<u>\$ 79,227</u>	<u>\$ 255,798</u>	<u>\$ 10,394,251</u>
Nine months ended September 30, 2022				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 188,202	\$ 116,677	\$ 111,830	\$ 193,049
Elective insurance	13,734,417	31,244	605,791	13,159,870
	<u>\$ 13,922,619</u>	<u>\$ 147,921</u>	<u>\$ 717,621</u>	<u>\$ 13,352,919</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. As of September 30, 2023, December 31, 2022, and September 30, 2022, balance sheets for compulsory automobile liability insurance are as follows:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Assets			
Cash and cash equivalents	\$ 1,852,399	\$ 1,765,189	\$ 1,739,454
Notes receivable	3,033	6,902	4,652
Premiums receivable	7,569	10,572	7,770
Claims recoverable from reinsurers	32,411	19,076	12,256
Due from reinsurance and ceding companies	31,516	14,901	14,655
Ceded unearned premium reserve	116,518	106,984	101,620
Ceded claim reserve	194,977	140,743	141,282
Temporary payments and suspense accounts	-	-	2
Total assets	<u>\$ 2,238,423</u>	<u>\$ 2,064,367</u>	<u>\$ 2,021,691</u>
Liabilities			
Claims payable	\$ 15,257	\$ 800	\$ 516
Due to reinsurance and ceding companies	32,956	32,715	18,882
Unearned premium reserve	299,435	277,606	267,188
Claims reserve	471,066	360,388	365,389
Special reserve	1,404,748	1,390,444	1,358,555
Temporary payments and suspense accounts	14,961	2,414	11,161
Total liabilities	<u>\$ 2,238,423</u>	<u>\$ 2,064,367</u>	<u>\$ 2,021,691</u>

As of September 30, 2023, December 31, 2022, and September 30, 2022, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,709,755, \$1,666,707 and \$1,604,013, respectively, shown as other financial assets in the balance sheets.

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

	<u>Three months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Operating revenues		
Written premiums	\$ 89,411	\$ 84,678
Reinsurance premiums	50,247	46,057
Less: Reinsurance premiums ceded	(53,647)	(50,804)
Net change in unearned premium reserve	(3,033)	(4,410)
Retention earned premiums	82,978	75,521
Interest income	5,468	3,957
Total	<u>\$ 88,446</u>	<u>\$ 79,478</u>
Operating costs		
Claim expenditures	\$ 84,345	\$ 54,020
Reinsurance claim expenditures	44,253	50,840
Less: Reinsurance claims recovery	(50,595)	(32,430)
Retention claim expenditures	78,003	72,430
Net change in claims reserve	16,481	5,536
Net change in special reserve	(2,604)	4,705
Total	<u>\$ 91,880</u>	<u>\$ 82,671</u>
	<u>Nine months ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Operating revenues		
Written premiums	\$ 277,121	\$ 245,155
Reinsurance premiums	145,885	134,414
Less: Reinsurance premiums ceded	(166,278)	(147,095)
Net change in unearned premium reserve	(12,295)	(11,726)
Retention earned premiums	244,433	220,748
Interest income	15,987	9,855
Total	<u>\$ 260,420</u>	<u>\$ 230,603</u>
Operating costs		
Claim expenditures	\$ 212,585	\$ 188,202
Reinsurance claim expenditures	113,508	116,677
Less: Reinsurance claims recovery	(126,174)	(111,830)
Retention claim expenditures	199,919	193,049
Net change in claims reserve	56,443	6,104
Net change in special reserve	14,305	40,604
Total	<u>\$ 270,667</u>	<u>\$ 239,757</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. As of 2023, a financial improvement plan was proposed and implemented that included measures such as reducing capital to offset losses, conducting a private placement of common shares to raise cash, and disposing of real estate assets to expand capital. Please refer to Note 11 for further details. 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 September 30, 2023, December 31, 2022 and September 30, 2022 were 12.41%, (19.14%) and (74.11%), respectively.

(14) Climate-related risks- Hotai Insurance Co., Ltd.

Given that climate change risks are rising, the subsidiary, Hotai Insurance Co., Ltd., had set up the Task Force on Climate-related Financial Disclosures (“TCFD”) Working Group under the Corporate Sustainability Committee which is responsible for establishing the governance framework of risks and opportunities related to climate changes and promoting the identification, response and related disclosure of climate change risks and opportunities continuously. The Board of Directors is the highest responsible unit for supervising risks and opportunities related to climate changes. The functional committees under the Board of Directors, Risk Management Committee and Corporate Sustainability Committee, are responsible for supervising the implementation of risks and opportunities related to climate changes regularly. In addition, the subsidiary, Hotai Insurance Co., Ltd., had included climate change risks in the risk management policies and conducted stress testing for disasters caused by climate changes in the Own Risk and Solvency Assessment (“ORSA”) supervision reports. The subsidiary identifies and assesses qualitative or quantitative risks, including physical risks and transition risks, according to three dimensions which include its operation, insurance policy business and investment. For physical risks, the analysis result of the climate risks sensitivity level of the service locations of the subsidiary, Hotai Insurance Co., Ltd., were all low and the subsidiary, Hotai Insurance Co., Ltd., had insured relevant insurances and will review changes in risks periodically in the future to conduct adjustments. For the insurance policy business dimension, the subsidiary had conducted stress testing for typhoon-and-flood-related insurance policy businesses that are vulnerable to climate change and will strengthen the underwriting and management of climate change risks when undertaking insurances in the future and arrange the reinsurances properly to diverse risks. For transition risks, the subsidiary, Hotai Insurance Co., Ltd., will continue to pay attention on the underwriting risk control of high-carbon emission industries, assess climate change risks prudently before investment and track changes in risks continuously after investment as well as assess opportunities brought by climate changes at the same time to adjust its insurance products and operating strategies.

(15) 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>September 30, 2023</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 5,469,908	\$ 5,469,908	\$ -
Current financial assets for hedging	511,615	261,989	249,626
Accounts and notes receivable, net	262,479,180	97,505,357	164,973,823
Other receivables	120,647	120,647	-
Inventories	3,803	3,803	-
Prepayments	7,217,482	5,620,740	1,596,742
Other current financial assets	552,044	552,044	-
<u>Liabilities</u>			
Short-term borrowings	\$ 96,208,838	\$ 74,864,987	\$ 21,343,851
Short-term notes and bills payable	126,556,875	109,629,143	16,927,732
Current financial liabilities for hedging	1,301,539	1,243,930	57,609
Notes payable	1,363,933	1,363,933	-
Accounts payable (including related parties)	544,260	544,260	-
Other payables	3,236,933	3,236,933	-
Current income tax liabilities	532,451	532,451	-
Lease liabilities-current	144,049	144,049	-
Bonds payable	26,200,000	-	26,200,000
Financial guarantee liabilities-current	28,690	28,690	-
Guarantee deposits received-current	4,455,111	1,932,912	2,522,199
Other current liabilities, others	-	-	-
<u>December 31, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 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>December 31, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<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	-
		<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2022</u>	<u>Book value</u>	<u>12 months</u>	<u>12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,185,065	\$ 2,185,065	\$ -
Current financial assets for hedging	232,491	-	232,491
Accounts and notes receivable, net	212,738,846	79,372,350	133,366,496
Other receivables	85,473	85,473	-
Inventories	2,708	2,708	-
Prepayments	6,550,972	3,849,497	2,701,475
Other current financial assets	418,296	418,296	-
<u>Liabilities</u>			
Short-term borrowings	\$ 85,800,878	\$ 67,883,181	\$ 17,917,697
Short-term notes and bills payable	87,807,713	65,584,970	22,222,743
Current financial liabilities for hedging	1,028,549	221,819	806,730
Notes payable	864,707	864,707	-
Accounts payable (including related parties)	464,718	464,718	-
Other payables	2,710,531	2,710,531	-
Current income tax liabilities	473,342	473,342	-
Lease liabilities-current	116,478	116,478	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	44,379	44,379	-
Guarantee deposits received-current	4,017,971	1,625,029	2,392,942
Other current liabilities, others	59,915	59,915	-

13. Supplementary Disclosures

Related information of significant transactions of third quarter 2023 are as follows:

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 6.
- 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 7.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 8.
- I. Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of September 30, 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 362,180	2022/10/6~ 2023/3/8	\$ 213,576	\$ 213,576
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 58,800,000	2023/12/6~ 2025/5/2	(1,301,539)	(1,301,539)
Hotai Finance Co., Ltd.	Cross currency swaps	USD 30,000	2024/9/6	11,896	11,896
Hotai Finance Co., Ltd.	Cross currency swaps	EUR 75,000	2024/9/12	250,093	250,093
Hoyun International Finance Leasing Co., Ltd.	Cross currency swaps	USD 62,750	2024/8/30~ 2025/1/13	236,819	236,819
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Cross currency swaps	USD 4,800	2024/10/18	12,807	12,807

- J. Significant inter-company transactions during the reporting periods: Please refer to table 9.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 10.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 11.
- 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 12.

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 September 30, 2023, the Company's self-owned capital ratio was 69%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. 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:

Nine months ended September 30, 2023

Items	Distributor of			
	Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 117,984,345	\$ 14,204,023	\$ 23,287,545	\$ 8,741,939
Inter-segment revenue (Note)	13,136,325	466,688	945,254	554,672
Total segment revenue	<u>\$ 131,120,670</u>	<u>\$ 14,670,711</u>	<u>\$ 24,232,799</u>	<u>\$ 9,296,611</u>
Segment income (loss) (Note)	<u>\$ 18,092,935</u>	<u>\$ 3,648,674</u>	<u>\$ 2,003,650</u>	<u>\$ 3,341,693</u>
Segment assets	<u>\$ 90,596,087</u>	<u>\$ 264,511,286</u>	<u>\$ 88,525,426</u>	<u>\$ 27,620,456</u>

Items	Overseas			Total
	sales agent segments	Other segments	Reconciliation and elimination	
Revenue from external customers	\$ 14,050,188	\$ 31,757,069	\$ -	\$ 210,025,109
Inter-segment revenue (Note)	1,417,190	8,367,468	(24,887,597)	-
Total segment revenue	<u>\$ 15,467,378</u>	<u>\$ 40,124,537</u>	<u>(\$ 24,887,597)</u>	<u>\$ 210,025,109</u>
Segment income (loss) (Note)	<u>\$ 933,283</u>	<u>\$ 6,209,858</u>	<u>(\$ 11,133,643)</u>	<u>\$ 23,096,450</u>
Segment assets	<u>\$ 22,003,977</u>	<u>\$ 74,601,418</u>	<u>(\$ 102,355,252)</u>	<u>\$ 465,503,398</u>

Nine months ended September 30, 2022

Items	Distributor of			
	Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 90,723,398	\$ 11,066,758	\$ 20,024,766	\$ 7,786,229
Inter-segment revenue (Note)	(11,947,172)	506,782	926,406	203,272
Total segment revenue	<u>\$ 78,776,226</u>	<u>\$ 11,573,540</u>	<u>\$ 20,951,172</u>	<u>\$ 7,989,501</u>
Segment income (loss) (Note)	<u>(\$ 8,325,432)</u>	<u>\$ 3,360,803</u>	<u>\$ 2,032,424</u>	<u>(\$ 23,830,603)</u>
Segment assets	<u>\$ 71,019,726</u>	<u>\$ 209,446,424</u>	<u>\$ 75,120,577</u>	<u>\$ 20,777,144</u>

Items	Overseas			Total
	sales agent segments	Other segments	Reconciliation and elimination	
Revenue from external customers	\$ 16,858,030	\$ 32,742,675	\$ -	\$ 179,201,856
Inter-segment revenue (Note)	1,268,082	(15,077,780)	24,120,410	-
Total segment revenue	<u>\$ 18,126,112</u>	<u>\$ 17,664,895</u>	<u>\$ 24,120,410</u>	<u>\$ 179,201,856</u>
Segment income (loss) (Note)	<u>\$ 1,777,276</u>	<u>(\$ 16,034,224)</u>	<u>\$ 35,701,361</u>	<u>(\$ 5,318,395)</u>
Segment assets	<u>\$ 22,314,715</u>	<u>\$ 50,093,193</u>	<u>(\$ 62,010,664)</u>	<u>\$ 386,761,115</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.

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Ho Tai Motor Co., Ltd.
Loans to others
For the nine months ended September 30, 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 nine months ended September 30, 2023	Balance at September 30, 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
													Item	Value			
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 578,024	\$ 552,387	\$ -	2.15%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 1,030,480	\$ 2,060,960	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	266,780	220,955	-	2.15%	"	-	"	-	"	-	414,808	829,617	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	133,390	110,477	-	2.15%	"	-	"	-	"	-	161,418	322,836	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	444,634	309,337	52,897	2.15%	"	-	"	-	"	-	643,850	1,287,699	"
5	Shanghai Ho Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	564,685	441,910	130,142	2.15%	"	-	"	-	"	-	996,202	1,992,403	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,895	8,838	-	2.15%	"	-	"	-	"	-	11,334	22,668	"
7	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	17,789	17,676	14,716	2.15%	"	-	"	-	"	-	22,600	45,199	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	168,961	154,668	-	2.15%	"	-	"	-	"	-	287,857	575,713	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	222,367	220,955	60,674	2.15%	"	-	"	-	"	-	331,503	663,007	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,657	154,668	80,869	2.15%	"	-	"	-	"	-	196,383	392,766	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	400,170	309,337	-	2.15%	"	-	"	-	"	-	461,348	922,696	"
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	355,707	309,337	125,679	2.15%	"	-	"	-	"	-	498,470	996,940	"
13	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	244,604	243,050	32,701	2.15%	"	-	"	-	"	-	321,981	643,963	"
14	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	88,947	88,382	-	2.15%	"	-	"	-	"	-	123,757	247,514	"
15	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	289,012	265,146	111,008	2.15%	"	-	"	-	"	-	331,685	663,370	"
16	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	333,475	309,337	23,377	2.15%	"	-	"	-	"	-	428,882	857,764	"
17	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	155,657	154,668	-	2.15%	"	-	"	-	"	-	258,333	516,665	"
18	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	Hotong Motor Investment Co., Ltd.	"	Y	35,579	35,353	35,353	2.15%	"	-	"	-	"	-	49,776	99,553	"
19	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,237	22,095	-	2.15%	"	-	"	-	"	-	30,254	60,507	"
20	Tianjin Ho-Yu Motor Sales & Service Co.,Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,237	22,095	-	2.15%	"	-	"	-	"	-	44,942	89,884	Note 3
21	Shanghai Fengyi Construction Decoration Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	26,684	26,515	26,515	2.15%	"	-	"	-	"	-	53,419	106,839	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	644,864	640,769	489,922	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	200,085	176,764	54,046	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	266,840	265,146	262,362	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	266,840	265,146	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	"	Y	88,927	44,191	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	8,895	8,838	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	"	Y	13,342	13,257	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Collateral		Allowance for doubtful accounts	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					September 30, 2023	September 30, 2023						Item	Value				
22	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Other receivables	Y	\$ 222,317	\$ 176,764	\$ 120,332	2.65%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 9,438,997	\$ 18,877,994	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	177,894	176,764	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	44,473	44,191	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	400,170	265,146	58,597	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	333,475	220,955	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	133,420	132,573	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	222,317	176,764	11,932	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	"	Y	667,101	662,864	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	333,475	265,146	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	222,367	220,955	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	155,657	154,668	33,983	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	44,473	44,191	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	"	Y	133,390	44,191	-	2.65%	"	-	"	-	"	-	9,438,997	18,877,994	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	Y	155,657	154,668	-	2.65%	"	-	"	-	"	-	1,887,799	3,775,598	Note 4
22	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	"	Y	133,420	132,573	86,570	2.65%	"	-	"	-	"	-	1,887,799	3,775,598	"
22	Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	"	Y	133,420	132,573	1,237	2.65%	"	-	"	-	"	-	1,887,799	3,775,598	"
22	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	889,468	883,819	883,819	3.15%	"	-	"	-	"	-	1,887,799	3,775,598	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	133,420	132,573	132,573	3.20%	"	-	"	-	"	-	1,887,799	3,775,598	"
23	Hoyun International Finance Leasing Co. Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	222,367	220,955	176,764	3.90%	"	-	"	-	"	-	5,599,822	11,199,644	Note 5
23	Hoyun International Finance Leasing Co. Ltd.	Homei Consulting (Suzhou) Company Limited	"	Y	220,955	220,955	-	3.90%	"	-	"	-	"	-	5,599,822	11,199,644	"
24	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Y	2,000,000	2,000,000	-	1.725%	"	-	"	-	"	-	3,530,781	7,061,562	Note 6
24	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Y	2,000,000	-	-	1.725%	"	-	"	-	"	-	3,530,781	7,061,562	"
25	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	Y	30,000	30,000	21,000	2.444%	"	-	"	-	"	-	97,122	194,234	Note 7
25	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	"	Y	40,000	40,000	30,000	2.444%	"	-	"	-	"	-	97,122	194,234	"
25	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	Y	30,000	30,000	25,000	2.444%	"	-	"	-	"	-	97,122	194,234	"
26	He Jing Co., Ltd.	A	Accounts receivable	N	20,000	-	-	5.00%	"	-	"	-	"	-	295,163	596,326	Note 8
26	He Jing Co., Ltd.	B	"	N	30,000	30,000	27,829	5.00%	"	-	"	-	Stock	36,000	295,163	596,326	"
26	He Jing Co., Ltd.	C	"	N	85,000	85,000	72,974	6.25%~10%	"	-	"	-	Property	68,000	295,163	596,326	"
26	He Jing Co., Ltd.	D	"	N	70,000	70,000	67,236	6%~10%	"	-	"	-	"	82,810	295,163	596,326	"

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., Nanjing HoZhan Motor Sales and Service Co., Ltd., Qingdao Heling Lexus Automobile Sales Service Co., Ltd., Hoyun International Lease Co., Ltd., Chongqing Taikang 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: For loans granted by Hoyun International Leasing 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 6: 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 7: 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 8: For the short-term financing granted by the creditor (He Jing Co., Ltd.) to the borrower (A, B, C and D) 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
For the nine months ended September 30, 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 September 30, 2023	Outstanding endorsement/ guarantee amount at September 30, 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 subsidiary to 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.	Sub-subsiary	\$ 18,771,158	\$ 5,000,000	\$ 2,000,000	\$ -	\$ -	3.20%	\$ 31,284,964	Y	N	N	Note 2
0	Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Subsidiary	18,771,158	400,000	400,000	204,000	-	0.64%	31,284,964	Y	N	N	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Sub-subsiary	35,307,811	2,223,669	2,209,548	369,521	-	6.26%	35,307,811	Y	N	Y	Note 3
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	Sub-subsiary	35,307,811	514,878	514,878	492,537	-	1.46%	35,307,811	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Subsidiary	35,307,811	2,000,000	1,500,000	480,000	-	4.25%	35,307,811	Y	N	N	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Subsidiary	35,307,811	10,500,000	6,800,000	2,800,000	-	19.26%	35,307,811	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)
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 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	21,301,645	\$ 803,072	0.15%	\$ 803,072		
	- Toyota Motor Corporation	-	"	15,956,000	9,236,537	0.10%	9,236,537		
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	252,635	0.42%	252,635		
	Taian Insurance Co., Ltd. Etc.	-	"	-	415,229	0.42%~7.96%	415,229		
				Total		\$ 10,707,473		\$ 10,707,473	
		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	1,441,500	662,355	0.01%	834,449	
				Valuation adjustment of financial assets		172,094		-	
				Total		\$ 1,334,449		\$ 1,334,449	
	Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,693	0.50%	\$ 3,693	
Beneficiary certificates		Not applicable	Financial assets at fair value through profit or loss - current	45,879,413	\$ 485,000	-	\$ 485,959		
- Franklin Templeton Sinoam Money Market Fund									
Beneficiary certificates		Not applicable	"	99,561,136	1,120,440	-	1,122,950		
- CTBC Hua Win Money Market Fund									
			Valuation adjustment of financial assets		3,469		-		
			Total		\$ 1,608,909		1,608,909		
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	Not applicable	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,855	0.06%~0.50%	\$ 3,855		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,349	-	\$ 2,349		
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,855	0.06%~0.5%	3,855		
			Total		\$ 6,204		\$ 6,204		
		PSC DSU 100% Principal Guaranteed (USD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 86,152	-	\$ 87,453	
				Valuation adjustment of financial assets		1,301		-	
				Total		\$ 87,453		\$ 87,453	
		PSC DSU 100% Principal Guaranteed (TWD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 400,000	-	\$ 400,000	
				Valuation adjustment of financial assets		-		-	
				Total		\$ 400,000		\$ 400,000	
	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	-	\$ 22,732	
- BOT Money Market Fund									
			Valuation adjustment of financial assets		732		-		
			Total		\$ 22,732		\$ 22,732		
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,693	0.50%	\$ 3,693		
He Jun Energy Co., Ltd.	Perpetual New Energy Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	1,600,000	\$ 15,989	8.00%	\$ 15,989		
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,693	0.50%	\$ 3,693		

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2023				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	YU-TU(BVI)Finance Investment Corporation	None	Financial assets at fair value through other comprehensive income - non-current	-	\$ 24,692	10.48%	\$ 24,692	
Hotai Connected Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	9,550,095	\$ 100,000	-	\$ 101,156	
	- Franklin Templeton Sinoam Money Market Fund							
	Beneficiary certificates	Not applicable	"	14,136,388	180,000	-	181,774	
	- Mega Diamond Money Market Fund							
			Valuation adjustment of financial assets		2,930		-	
			Total		\$ 282,930		\$ 282,930	
Hotai Mobility Service Co., Ltd.	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	2,340,746	\$ 24,508	-	\$ 24,793	
	- Franklin Templeton Sinoam Money Market Fund							
	Beneficiary certificates	Not applicable	"	7,855,322	100,000	-	101,008	
	- Mega Diamond Money Market Fund							
	Beneficiary certificates	Not applicable	"	458,630	5,108	-	5,173	
			Valuation adjustment of financial assets		1,358		-	
			Total		\$ 130,974		\$ 130,974	
ChyuanAn Transport Co.,Ltd	Beneficiary certificates	-	Financial assets at fair value through profit or loss - current	900,181	\$ 10,027	-	\$ 10,153	
	- CTBC Hua Win Money Market Fund							
			Valuation adjustment of financial assets		126		-	
			Total		\$ 10,153		\$ 10,153	
YuCheng Transport Co.,Ltd	Beneficiary certificates	-	Financial assets at fair value through profit or loss - current	1,346,680	\$ 15,000	-	\$ 15,189	
	- CTBC Hua Win Money Market Fund							
			Valuation adjustment of financial assets		189		-	
			Total		\$ 15,189		\$ 15,189	

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
For the nine months ended September 30, 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			Balance as at September 30, 2023		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Investments accounted for using equity method	Hozan Investment Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	Note 2
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Investments accounted for using equity method	He Jing Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	"
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Investments accounted for using equity method	Heng Fong Energy Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	"
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	Investments accounted for using equity method	Cheng Yo Technology Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	"
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Investments accounted for using equity method	Hotai Insurance Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-	"
Carmax Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	35,338,389	371,148	-	-	35,338,389	373,541	370,000	3,541	-	-	
Hozan Investment Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	952,327	10,002	44,927,087	475,000	-	-	-	-	45,879,413	485,959	
Hozan Investment Co., Ltd.	CTBC Hua Win Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	144,052,642	1,620,000	44,491,507	500,000	499,560	440	99,561,136	1,122,950	
Hozan Investment Co., Ltd.	PGIM Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	37,183,476	600,000	37,183,476	600,532	600,000	532	-	-	
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	-	304,875	-	597,946	-	821,508	814,981	6,527	-	87,453	
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	-	1,500,000	-	1,502,349	1,500,000	2,349	-	400,000	
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	-	-	

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

Note 2: Please refer to Note 10 for details.

Ho Tai Motor Co., Ltd.
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:				Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount			
Hotai Finance Co., Ltd.	5th floor, Units ABC and 6th floor, Units ABCD in Land Lot No. 28~30, 34~39, Zhongxing section, Sanchong Dist., New Taipei City	2023.5.4	\$ 922,360	\$ 138,330	Kuo Yang Construction Co.,Ltd.	Non-related party	-	-	-	\$ -	Valuations by professional appraisers (Note 1, Note 2)	Future operation demand	None
Carmax Co., Ltd.	No. 8, Fuxing 3rd Rd., Guishan Dist., Taoyuan City	2023.4.30	621,140	Paid	Xu Yuan Construction Engineering Co.,Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	"	"
Hotai Auto Body Manufacturing Co., Ltd.	No. 51, Junyong Rd., Xizhou Township, Changhua County	2023.5.23	322,802	Paid	Xi Ye Construction Co., Ltd.	Non-related party	-	-	-	-	"	"	"

Note 1: Based on the appraisal report and market conditions provided by Bond Real Estate Appraisal Firm (appraised value of \$926,388) and Chinese Credit Real Estate Appraisal Firm (appraised value of \$940,904).

Note 2: In May, 2023, Hotai Finance Co., Ltd. signed a real estate purchase and sale agreement with a non-related party for the purchase of land and buildings in the Zhongxing section, Sanchong District, New Taipei City. As the ownership has not been transferred yet, it is recorded under "Other Non-current Assets - Others".

Note 3: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 4: Date of the event referred to herein is the date of contract signing date, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.
Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Real estate disposed by	Real estate	Date of the event	Date of acquisition	Book value	Disposal amount	Status of collection of proceeds	Gain (loss) on disposal	Counterparty	Relationship with the counterparty	Reason for disposal	Basis or reference used in setting the price	Other commitments
Ho Tai Service & Marketing Co., Ltd.	Land Lot No. 24, 34, 34-1, Pei-Po section, Tucheng District, New Taipei City	2023.6.27	2019.10.2	\$ 557,827	\$ 644,023	Completed	\$ 86,196	Hai Cheng Construction Co., Ltd.	Non-related party	Future operation demand	Valuations by professional appraisers (Note 1)	None
Hotai Insurance Co., Ltd	No. 39, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City	2023.08.02	1962.06.27 1971.04.07	283,710	1,327,000 (Note3)	Completed	\$963,971 (Note4)	Frank C. Chen Cultural Foundation	Non-related party	Financial improvement plan for epidemic prevention insurance	Valuations by professional appraisers (Note 2)	None

Note 1: Based on the appraisal report and market conditions provided by Rui Pu International Real Estate Appraisal Firm (appraised value of \$650,000).

Note 2: Refer to appraisal reports and market conditions provided by G-Beam Real Estate Appraisers Firm and CCIS Real Estate Appraisers Joint Firm

Note 3: Transaction amount is the total contract price

Note 4: The gain or loss on disposal is calculated by deducting the book value from the transaction amount, and deducting land value increment tax of \$137,810 thousand, land value increment tax reserve of (\$77,585) thousand, and other necessary transaction costs totaling \$19,094 thousand.

Note 5: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 6: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

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	\$ 24,079,258	20%	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 321,381	16%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	21,914,732	18%	"	"	"	268,078	13%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	17,606,117	15%	"	"	"	188,372	9%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	16,344,623	14%	"	"	"	210,126	10%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	16,537,351	14%	"	"	"	101,361	5%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	14,407,375	12%	"	"	"	198,450	10%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	3,110,383	3%	"	"	Importation of vehicles and parts is sold to the company, so it is not applicable	254,280	12%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,299,274	2%	"	"	Normal	39,451	2%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,211,151	2%	"	"	"	47,878	2%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	601,811	1%	Collection at sight	"	"	60,857	3%	
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	123,835	-	"	"	"	30,770	2%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	41,379,469	38%	Collects its accounts 15 days after the end of each month	"	Major supplier of imported cars, so it is not applicable	(3,808,419)	48%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	36,518,776	34%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	Major supplier of domestic cars, so it is not applicable.	(874,024)	11%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,618,749	2%	Pays its accounts 16 days after the end of each month	"	Major supplier of parts for small cars, so it is not applicable.	(372,674)	5%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	"	3,055,048	3%	Pays its accounts 15 days after the end of each month	"	Major supplier of parts, so it is not applicable.	(397,030)	5%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	"	"	260,203	-	"	"	Major supplier of imported cars, so it is not applicable	(18,251)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	"	"	542,679	1%	"	"	"	(19,938)	-	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	824,730	1%	Pays its accounts 16 days after the end of each month	"	Major supplier of vehicle tires, so it is not applicable.	(95,512)	1%	
Ho Tai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	"	624,071	1%	Pays its accounts 15 days after the end of each month	"	Major supplier of imported cars, so it is not applicable	(4,016)	-	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	Sales	487,650	3%	Collection at sight	"	Normal	51,184	-	

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)	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	Sales	\$ 129,211	1%	Collects its accounts on the next Monday and Wednesday after the end of each week	Normal	Normal	\$ 14,883	-	
Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	"	"	360,778	2%	Collection at sight	"	"	23,313	-	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Purchases	3,110,383	24%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(254,280)	55%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	10,959,263	86%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(84,537)	18%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	528,533	91%	Collects its accounts 10 days after the end of each month	"	"	66,582	93%	
Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	216,795	93%	Collects its accounts 26 days after the end of next month	"	"	32,290	98%	
Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Associates	"	217,691	99%	"	"	"	-	-	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	"	168,727	28%	"	"	"	10,900	17%	
Ho Tai Transportation Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	118,226	100%	Collects its accounts 26 days after the end of next month	"	"	12,230	99%	
Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	"	"	244,220	70%	Collects its accounts 30 days after the end of each month	"	"	42,425	54%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	1,618,749	25%	Collects its accounts 16 days after the end of each month	"	"	372,674	26%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	992,558	16%	Collects its accounts 10 days after the end of each month	"	"	258,324	18%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	120,486	2%	Collects its accounts 35 days after the end of next month	"	"	27,721	2%	
Carmax Co., Ltd.	AIM Technology Corp.	"	Purchases	924,620	19%	Pays its accounts 21 days after the end of each month	"	"	(102,796)	12%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	"	528,533	11%	Pays its accounts 10 days after the end of each month	"	"	(66,582)	8%	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co.,Ltd.	"	"	244,220	5%	Pays its accounts 30 days after the end of each month	"	"	(42,425)	5%	
Ho Tai Development Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	118,226	2%	Pays its accounts 26 days after the end of next month	"	"	(12,230)	6%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	"	168,727	2%	Pays its accounts 60 days after the end of each month	"	"	(10,900)	5%	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	"	216,795	3%	Pays its accounts 26 days after the end of next month	"	"	(32,290)	15%	
Hotai Auto Body Sales Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Associates	"	217,691	60%	Pays its accounts 26 days after the end of next month	"	"	-	-	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	"	254,060	55%	Pays its accounts 15 days after the end of each month	Major supplier of imported cars, not applicable	"	(2,575)	5%	
Hoing Mobility Service Co., Ltd.	Ho Tai Motor Co., Ltd.	Parent company	"	123,835	63%	Payment at sight	Normal	"	(30,770)	49%	Note
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	2,722,767	18%	"	"	"	(178,596)	34%	"
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,178,034	8%	"	"	"	(57,628)	11%	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	601,811	4%	"	"	"	(60,857)	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	1,150,896	8%	"	"	"	(39,665)	-	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	856,135	6%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	793,258	5%	"	"	"	(24,302)	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	456,715	3%	"	"	"	(390)	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	498,734	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)	
Hotai Leasing Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	Purchases	\$ 116,888	1%	Payment at sight	Normal	Normal	\$ -	-	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	2,211,151	93%	Pays its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(47,878)	83%	
He Jing Co., Ltd.	Chang Yuan Motor Co., Ltd.	Associates	"	360,778	100%	"	"	"	(23,313)	100%	
Shanghai Hozhan Motor Service Co., Ltd	Tianjin Hoyi International Trading Co.	Subsidiary	Sales	106,255	7%	Collection in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd	Toyota Motor (China) Investment Co., Ltd	Entity controlled by the Company's key management	Purchases	115,871	9%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd	"	"	1,024,384	93%	"	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd	"	"	762,065	73%	"	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	603,635	85%	"	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	610,958	85%	"	"	"	-	-	
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	858,296	72%	"	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,243,554	72%	"	"	"	-	-	
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	607,078	88%	"	"	"	-	-	
Tianjin Hoyi International Trading Co.	Shanghai Hozhan Motor Service Co., Ltd.	Parent company	"	106,255	33%	"	"	"			

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
September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 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	\$ 321,381	77.35	\$ -	-	321,381	\$ -
			Other receivables	10,021				10,021	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	268,078	45.41	-	-	268,078	-
			Other receivables	23,089				23,089	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	254,280	6.22	-	-	254,280	-
			Other receivables	18,613				18,613	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	188,372	46.72	-	-	188,372	-
			Other receivables	6,592				6,592	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	198,450	41.82	-	-	198,450	-
			Other receivables	5,380				5,380	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	210,126	45.99	-	-	210,126	-
			Other receivables	6,851				6,851	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	101,361	53.09	-	-	101,361	-
			Other receivables	88,712				88,712	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	"	Accounts receivable	258,324	32.62	-	-	258,324	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	372,674	21.18	-	-	372,674	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated 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	\$ 3,110,383	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,502,302	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	254,280	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	62,990		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,211,151	Collects its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Accounts receivable	47,878	"	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	372,674	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	97,786	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	601,811	"	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	60,857		-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	1	Sales revenue	123,835	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discount	51,803	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	487,650	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Accounts receivable	51,184		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Sales revenue	360,778		-
2	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Sales revenue	1,516,405		1%
2	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Service revenue	189,858		-
2	Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	3	Accounts payable	60,996		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
3	Carmax Autotech (Shanghai) Co.,Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	\$ 71,920		-
3	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Sales revenue	244,220	Collects its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	125,679	Pays its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	111,008	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	3	Other payables	130,142	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	60,674	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	80,869	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	52,897	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	120,332	Collects its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Yu Motor Service Co., Ltd.	3	Other receivables	54,046	"	-
4	Hotong Motor Investment Co., Ltd.	Hoyun International Finance Leasing Co., Ltd.	3	Other receivables	883,819	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	262,362	"	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	489,922	"	-
4	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	58,597	"	-
4	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	3	Other receivables	86,570	"	-
5	Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Hoyi International Trading Co.	3	Sales revenue	106,255		-
6	Shanghai Ho-Yu Motor Service Co., Ltd.	Tianjin Hoyi International Trading Co.	3	Sales revenue	61,814		-
7	Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	64,038		-
7	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Finance Leasing Co., Ltd.	3	Sales revenue	60,187		-
8	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	70,647		-
9	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	222,094		-
10	Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	3	Sales revenue	258,287		-
11	Hoing Mobility Service Co., Ltd.	Hotai Leasing Co., Ltd.	3	Leasing revenue	70,734		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
12	Hotai Connected Co., Ltd	Ho Tai Motor Co., Ltd.	3	Service revenue	\$ 142,211		-
12	Hotai Connected Co., Ltd	Ho Tai Motor Co., Ltd.	3	Accounts receivable	54,105		
13	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	168,727	Collects its accounts 60 days after the end of each month	-
14	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	216,795		-
15	Ho Tai Transportation Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	118,226		
16	Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	3	Sales revenue	217,691		
17	Hotai Auto Body Sales Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	84,219		
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	528,533		
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Account receivable	66,582	Collects its accounts 10 days after the end of each month	
19	Hoyun International Finance Leasing Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	3	Other receivables	176,764	Accounts receivable financing	-

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)
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023	Footnote
				Balance at September 30, 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	\$ 12,004,622	\$ 7,204,622	254,032	100.00	\$ 22,225,477	\$ 2,183,947	\$ 2,183,947	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	7,201,904	4,096,653	1,231,554	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	2,182,142,857	77.93	(1,105,373)	2,910,806	1,710,016	Subsidiary
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,514,118	3,514,118	108,897,360	100.00	9,461,479	277,114	277,114	"
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	4,135,228	567,979	567,979	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,868,168	1,163,901	230,474	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	3,817,765	376,194	169,046	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	1,948,775	1,132,920	223,079	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	1,517,764	720,140	139,375	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,757,414	977,714	498,634	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,495	3,849	577	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	1,421,382	765,080	266,324	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,571,781	1,080,040	217,952	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,274,701	803,200	190,118	"
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	1,091,159	95,539	95,539	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	46,550,242	100.00	550,030	52,412	52,412	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	310,429	94,896	18,467	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	396,678	769	342	"
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	124,103	16,280	3,441	"
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	"	Import and export of all kinds of tires and inner tubes	3,000	3,000	3,000	25.00	115,435	86,605	21,651	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	33,736	14,118	2,824	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	615,342	615,342	79,100,000	70.00	650,831	104,427	73,099	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023	Footnote
				Balance at September 30, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Taiwan	Car assembly business	\$ 500,000	\$ 500,000	50,000,000	50.00	\$ 516,301	\$ 14,757	\$ 7,378	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	"	37,010	37,010	4,000,000	100.00	47,937	10,281	10,281	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	180,000	180,000	18,000,000	18.00	170,736 (	22,692) (	4,085)	"
Ho Tai Motor Co., Ltd.	Gochabar Technology Co., Ltd.	"	Charging system technical service	12,000	-	1,200,000	10.00	10,320 (	16,799) (	1,680)	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	112,945	112,945	3,500,000	70.00	158,883	2,256	-	Sub-subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	38,724	38,724	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	257,161,874	45.39	11,534,672	2,791,275	-	Sub-subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	105,958,449	66.04	3,703,322	866,735	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	428,449	59,220	-	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	-	136	765,080	-	Investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	11,331,887	6,831,887	617,525,888	22.05	771,335	2,910,806	-	Subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	341,117	119,295	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	HOYUN INTERNATIONAL LIMITED	British Virgin Islands	"	1,303,708	1,303,708	40,400,000	50.50	2,850,854	596,893	-	Sub-subsidiary
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	353,872	22,113	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	120,000	120,000	12,000,000	27.40	80,457 (	39,021)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	2,430,000	810,000	243,000,000	81.00	2,416,969	56,659	-	"
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	800,000	800,000	80,000,000	80.00	758,818 (	22,693)	-	Subsidiary
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	"	Energy storage	22,000	22,000	2,200,000	100.00	20,495 (	1,044)	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Zheng Ren Energy Co., Ltd.	"	Solar power	86,730	31,850	8,673,000	35.00	74,108 (	14,646)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	"	9,781	9,781	900,000	90.00	9,676	677	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	"	"	116	116	9,000	90.00	877	857	-	"
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	"	1,066	1,066	9,000	90.00 (	397) (	769)	-	"
He Jun Energy Co., Ltd.	Heng Fong Energy Co., Ltd.	Taiwan	Energy storage	410,000	-	41,000,000	20.00	406,152 (	19,240)	-	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	30,960 (	16,800)	-	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	41,666	1,394	-	Sub-subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2023			Net profit (loss) of the investee for the nine months ended September 30, 2023	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023	Footnote
				Balance at September 30, 2023	Balance as at December 31, 2022	Number of shares	Ownership (%)	Book value			
He Jun Energy Co., Ltd.	Hejun Electricity Co., Ltd.	Taiwan	Electricity retailing business	\$ 1,000	\$ -	100,000	100.00	\$ 873	(\$ 127)	\$ -	Sub-subsiary
He Jun Energy Co., Ltd.	Tung Ching Green Energy Co., Ltd.	"	"	88,685	-	9,200,000	100.00	92,808	4,123	-	"
He Jun Energy Co., Ltd.	Billion Sunpower Co., Ltd.	"	"	163,017	-	10,000,000	100.00	168,618	5,995	-	"
He Jun Energy Co., Ltd.	Cheng Yo Technology Co., Ltd.	"	"	464,708	-	5,000,000	100.00	465,658	4,249	-	"
He Jun Energy Co., Ltd.	Hon Yang Energy Co., Ltd.	"	"	27,037	-	2,000,000	100.00	28,582	1,545	-	"
Hotai Leasing Co., Ltd.	HOYUN INTERNATIONAL LIMITED	British Virgin Islands	General investment	1,277,892	1,277,892	39,600,000	49.50	2,794,462	596,893	-	"
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	300,000	300,000	30,000,000	49.18	342,452	22,113	-	"
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000	41.10	118,617	(39,021)	-	"
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	"	Tourism industry	10,000	10,000	1,000,000	100.00	14,372	4,297	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	"	Taxi service	9,748	9,748	3,400,000	100.00	35,834	106	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	"	"	39,225	39,225	7,000,000	100.00	97,607	(352)	-	"
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Sales of vehicle bodies	200,000	200,000	20,000,000	20.00	205,436	14,757	-	Subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	108,279	14,118	-	"
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	38,500	3,850,000	35.00	40,823	3,849	-	Investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	96,810	96,810	3,000,000	100.00	105,804	2,946	-	Sub-subsiary
Ho Tai Development Co., Ltd.	Yue Chuan Industrial Co., Ltd. (Original name: Kashiwabara Hotai Taiwan Co., Ltd.)	Taiwan	Wholesale and retail of paints and coating	-	26,820	-	-	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	788,541	94,002	-	Sub-subsiary
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	97,694	8,428	-	"
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	108,934	49,545	-	"
Ho Tai Service & Marketing Co., Ltd.	Yue Chuan Industrial Co., Ltd. (Original name: Kashiwabara Hotai Taiwan Co., Ltd.)	"	Wholesale and retail of paints and coating	-	8,820	-	-	697	-	-	Subsidiary's investee company accounted for using the equity method
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	Freight forwarders	10,000	10,000	1,000,000	100.00	57,897	4,940	-	Sub-subsiary
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	37,368	44,463	-	"
Eastern Motor Co., Ltd.	DALEON Auto Parts And Accessories Corporation	"	Wholesale and retail of vehicles parts and accessories	500	500	50,000	100.00	786	214	-	"
Eastern Motor Co., Ltd.	Doroman Autoparts CORPORATION	"	"	500	500	138,718	100.00	9,637	3,555	-	"
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	5,650	5,650	565,000	0.50	5,650	104,427	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi service	3,000	3,000	300,000	0.68	3,000	(39,021)	-	Sub-subsiary

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
For the nine months ended September 30, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 11

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the		Accumulated amount of remittance from Taiwan to	Net income of investee for the nine months ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the	Book value of investment in Mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September	Footnote
				Mainland China as of January 1, 2023	Remitted to Mainland China	Remitted back to Taiwan	China as of September 30, 2023			ended September 30, 2023		30, 2023	
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 4,132,012	Note(2)	\$ 1,286,282	\$ -	\$ -	\$ 1,286,282	\$ 345,692	100.00	\$ 345,692	\$ 9,786,026	\$ 671,371	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	108,750	Note(2)	108,750	-	-	108,750	41,417	100.00	41,417	456,386	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	Sales and repairing of vehicles	132,573	Note(2)	11,859	-	-	11,859	-	10.48	-	11,859	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	96,810	Note(2)	32,270	-	-	32,270	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	193,620	Note(2)	193,620	-	-	193,620	59,815	100.00	59,815	521,394	-	"
Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	96,810	Note(2)	96,810	-	-	96,810	15,697	100.00	15,697	177,175	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	161,350	Note(2)	112,945	-	-	112,945	2,256	70.00	1,579	158,883	-	"
Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	112,945	Note(3)	84,709	-	-	84,709	135,604	100.00	135,604	1,166,608	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Sales and repairing of vehicles	132,573	Note(2)	12,706	-	-	12,706	-	10.48	-	12,706	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	193,620	Note(2)	193,620	-	-	193,620	8,699	100.00	8,699	204,852	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	440,486	Note(2)	300,111	-	-	300,111	4,805	100.00	4,805	263,157	-	"
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	44,191	Note(3)	-	-	-	- (264)	(264)	100.00 (264)	(264)	49,511	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	187,166	Note(2)	187,166	-	-	187,166	40,359	100.00	40,359	372,200	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Sales and repairing of vehicles	209,755	Note(2)	209,755	-	-	209,755	66,832	100.00	66,832	495,972	-	"
Hoyun International Finance Leasing Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,581,600	Note(2)	2,581,600	-	-	2,581,600	623,166	55.61	314,699	3,139,237	514,959	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	220,953	Note(3)	-	-	-	-	16,332	55.61	9,083	161,168	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	662,860	Note(3)	-	-	-	-	31,304	55.61	17,409	341,061	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	96,810	Note(2)	96,810	-	-	96,810	2,946	45.01	1,326	50,170	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,240	Note(3)	-	-	-	-	29,504	100.00	29,504	528,088	-	"
Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	303,150	Note(3)	-	-	-	-	1,915	100.00	1,915	323,904	-	"

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 nine months ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net income of investee for the nine months ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023	Book value of investment in Mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	\$ 387,240	Note(3)	\$ -	\$ -	\$ -	\$ -	(\$ 8,510)	35.00	(\$ 2,979)	\$ 50,477	\$ -	Note 2.3
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,919	Note(1)	42,919	-	-	42,919	33,239	51.00	16,952	198,111	-	"
Guangzhou Gac Changho Autotech Corporation	Trading of vehicle products/accessories	103,049	Note(1)	46,372	-	-	46,372	55,239	22.95	12,698	44,574	131,149	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	322,700	Note(3)	-	-	-	-	19,854	35.00	6,949	167,396	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	484,050	Note(3)	-	-	-	-	9,319	35.00	3,262	223,141	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	387,240	Note(3)	-	-	-	-	16,348	35.00	5,722	219,752	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	451,780	Note(3)	-	-	-	(24,125)		35.00	(8,444)	33,804	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,560	Note(3)	-	-	-	(53)		71.43	(38)	(1,148)	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,419	Note(3)	-	-	-	(126)		100.00	(126)	11,207	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	472,405	Note(3)	-	-	-	-	34,949	100.00	31,819	737,242	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	1,016,393	Note(3)	-	-	-	-	3,037	100.00	3,037	999,250	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,257	Note(3)	-	-	-	-	6,591	100.00	6,591	29,217	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	88,382	Note(3)	-	-	-	-	10,719	100.00	10,719	134,518	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	44,191	Note(3)	-	-	-	(13,568)		50.00	(6,784)	(18,779)	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	322,700	Note(3)	-	-	-	(6,552)		100.00	(6,552)	281,279	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	338,835	Note(3)	-	-	-	-	6,576	100.00	6,576	338,105	-	"
Tianjin Binhai Heling Lexus Motor Service Co.,Ltd.	Sales and repairing of vehicles	132,573	Note(3)	-	-	-	(8,644)		35.00	(3,025)	39,452	-	"
Tianjin Yongda Communication Technology Co., Ltd.	Trading of vehicle products / accessories and property management	259,755	Note(3)	-	-	-	-	150	35.00	(3,599)	166,497	-	"
Nanjing HoZhan Motor Sales and Service Co.,Ltd.	Sales and repairing of vehicles	132,573	Note(3)	-	-	-	-	83	70.00	58	91,937	-	"
Taiyuan Zhongdu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	138,761	Note(3)	-	-	-	(19,502)		35.00	(6,826)	36,033	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,096	Note(3)	-	-	-	-	4,237	100.00	(5,745)	479,886	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	Property management	247,470	Note(3)	-	-	-	-	15,971	70.00	5,435	638,538	-	"
Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	751,247	Note(3)	-	-	-	-	9,160	100.00	9,160	762,041	-	"
Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	Sales and repairing of vehicles	309,337	Note(3)	-	-	-	(12,036)		70.00	(8,425)	198,338	-	"

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 nine months ended September 30, 2023		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2023	Net income of investee for the nine months ended September 30, 2023	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2023	Book value of investment in Mainland China as of September 30, 2023	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2023	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	\$ 442	Note(3)	\$ -	\$ -	\$ -	\$ -	(\$ 5)	56.00	(\$ 3)	\$ 3,598	\$ -	Note 2.3
Hangzhou Wangyou Network Technology Co., Ltd.	Leasing business	442	Note(3)	-	-	-	-	(1)	55.61	-	1,044	-	"
Homei International Trading (Suzhou) Company Limited	Consulting service and property management	442	Note(3)	-	-	-	-	(2)	55.61	(1)	245	-	"

Note 1: The investmets 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 nine months ended September 30, 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 September 30, 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.	\$ 2,723,403	\$ 6,104,127	\$ 57,767,441

Ho Tai Motor Co., Ltd.
Major shareholders information
September 30, 2023

Table 12

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	49,234,677	8.83%
Toyota Motor Corporation	45,294,234	8.13%
Li Gang Enterprise Co., Ltd.	41,380,740	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,792,950	6.60%