

HO TAI MOTOR COMPANY LIMITED
PARENT COMPANY ONLY FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018
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REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR19000474

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

Opinion

We have audited the accompanying parent company only balance sheets of Ho Tai Motor Co., Ltd. (the “Company”) as of December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to “other matter” section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2019 and 2018, and its parent company only financial performance and its cash flows for the years then ended, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained and the reports of other auditors are sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

Description

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

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

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

How our audit addressed the matter

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

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

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

Valuation of the provisions for warranty

Description

Please refer to Note 4(23) to the parent company only financial statements for the accounting policies on provisions for warranty, Note 5(2)B for uncertainty of accounting estimate and assumptions of provisions for warranty, and Note 6(15) for details of the provisions for warranty.

In order to enhance customer confidence on product quality, Ho Tai Motor Co., Ltd. provides a warranty, 120,000 kilometers over a period of 4 years, free of charge for customers in Taiwan driving Toyota cars. Since the provisions for warranty involves massive historical data as well as complex calculation in respect of maintenance and repair experience, it was identified as a key audit matter.

How our audit addressed the matter

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

1. In terms of the agent brands, obtained the car sold information in the last four years that met the warranty items Ho Tai Motor Co., Ltd. offered, such as cars being used in the fourth year or with mileage under 120,000 kilometers, cars' maintenance details as well as registration forms, sampled and tested each car's warranty cost on maintenance records for each car model.
2. Reviewed the system information in respect of total cars sold in the last four years which qualify for the warranty scheme. Evaluated the reasonableness of provision for warranty by considering the average warranty claimed cost from each agent brand.

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

Description

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. (“Hotai Insurance”), an investment by Ho Tai Motor Co., Ltd. accounted for using equity method, is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department’s historical claims development trend and experience, etc. As of December 31, 2019, the claims reserve and ceded claims reserve of Hotai Insurance Co., Ltd. was NT\$3,091,211 thousand and NT\$707,719 thousand, respectively.

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

How our audit addressed the matter

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

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

Other matter – Using the work of other auditors

We did not audit the financial statements of certain investments recognized under the equity method that are included in the parent company only financial statements. Investments using equity method amounted to NT\$5,929,129 thousand and NT\$5,640,440 thousand as of December 31, 2019 and 2018, constituting 7.75 % and 8.53% of total assets, respectively. For the years ended December 31, 2019 and 2018, the comprehensive income amounted to NT\$329,241 thousand and NT\$180,387 thousand, constituting 2.48% and 1.96% of total comprehensive income, respectively. Those financial statements and information disclosed were audited by other auditors whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial reporting users.

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and

maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore, considered to be the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

| | |
|---|---------------|
| Chin-Mu, Hsiao | Fang-Yu, Wang |
| For and on behalf of PricewaterhouseCoopers, Taiwan | |
| March 26, 2020 | |

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Assets | Notes | December 31, 2019 | | December 31, 2018 | | |
|---------------------------|---|-------------------|----------------------|-------------------|----------------------|------------|
| | | Amount | % | Amount | % | |
| Current Assets | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$ 1,028,230 | 1 | \$ 131,976 | - |
| 1110 | Financial assets at fair value through profit or loss – current | 6(2) | - | - | 4,171 | - |
| 1150 | Notes receivable, net | 6(4) | 8,674 | - | 3,772 | - |
| 1160 | Notes receivable – related parties, net | 6(4) and 7 | 5 | - | 4,070 | - |
| 1170 | Accounts receivable, net | 6(4) | 35,277 | - | 37,335 | - |
| 1180 | Accounts receivable – related parties, net | 6(4) and 7 | 2,209,087 | 3 | 2,651,008 | 4 |
| 1200 | Other receivables | 7 | 589,829 | 1 | 766,672 | 1 |
| 130X | Inventories, net | 6(5) | 7,225,714 | 10 | 5,236,340 | 8 |
| 1410 | Prepayments | | 377,952 | - | 323,829 | - |
| 11XX | Total current assets | | <u>11,474,768</u> | <u>15</u> | <u>9,159,173</u> | <u>13</u> |
| Non-current assets | | | | | | |
| 1510 | Financial assets at fair value through profit or loss-non-current | 6(2) | 500,000 | 1 | 500,000 | 1 |
| 1517 | Financial assets at fair value through other comprehensive income-non-current | 6(3) | 7,804,554 | 10 | 6,563,424 | 10 |
| 1550 | Investments accounted for using equity method | 6(6) | 49,779,288 | 65 | 43,509,228 | 66 |
| 1600 | Property, plant and equipment | 6(7) | 4,023,217 | 5 | 3,758,640 | 6 |
| 1755 | Right-of-use assets, net | 6(8) | 7,306 | - | - | - |
| 1760 | Investment property, net | 6(10) | 1,965,743 | 3 | 1,989,619 | 3 |
| 1840 | Deferred income tax assets | 6(24) | 427,112 | - | 255,350 | - |
| 1900 | Other non-current assets | | 487,970 | 1 | 396,875 | 1 |
| 15XX | Total non-current assets | | <u>64,995,190</u> | <u>85</u> | <u>56,973,136</u> | <u>87</u> |
| 1XXX | Total Assets | | <u>\$ 76,469,958</u> | <u>100</u> | <u>\$ 66,132,309</u> | <u>100</u> |

(Continued)

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| Liabilities and equity | | Notes | December 31, 2019 | | December 31, 2018 | |
|---|--|-------------|----------------------|------------|----------------------|------------|
| | | | Amount | % | Amount | % |
| Current Liabilities | | | | | | |
| 2100 | Short-term loans | 6(11) | \$ 1,951,407 | 3 | \$ 1,880,814 | 3 |
| 2120 | Financial liabilities at fair value through profit or loss-current | 6(2) | 149,572 | - | 19,047 | - |
| 2170 | Accounts payable | 6(12) | 1,714,046 | 2 | 2,639,209 | 4 |
| 2180 | Accounts payable – related parties | 6(12) and 7 | 6,603,010 | 9 | 5,663,092 | 8 |
| 2200 | Other payables | 6(13) and 7 | 2,514,857 | 3 | 2,637,685 | 4 |
| 2230 | Current income tax liabilities | | 1,177,022 | 1 | 1,081,109 | 2 |
| 2250 | Provisions-current | 6(15) | 720,784 | 1 | 649,784 | 1 |
| 2280 | Current lease liabilities | | 5,861 | - | - | - |
| 2300 | Other current liabilities | | 85,507 | - | 89,367 | - |
| 21XX | Total current liabilities | | <u>14,922,066</u> | <u>19</u> | <u>14,660,107</u> | <u>22</u> |
| Non-current liabilities | | | | | | |
| 2550 | Provisions-non-current | 6(15) | 1,699,732 | 2 | 1,074,673 | 2 |
| 2570 | Deferred income tax liabilities | 6(24) | 1,259,504 | 2 | 1,061,052 | 1 |
| 2580 | Non-current lease liabilities | | 1,472 | - | - | - |
| 2600 | Other non-current liabilities | | 748 | - | 751 | - |
| 25XX | Total non-current liabilities | | <u>2,961,456</u> | <u>4</u> | <u>2,136,476</u> | <u>3</u> |
| 2XXX | Total liabilities | | <u>17,883,522</u> | <u>23</u> | <u>16,796,583</u> | <u>25</u> |
| Equity | | | | | | |
| Share capital | | | | | | |
| 3110 | Common stock | 6(16) | 5,461,792 | 7 | 5,461,792 | 8 |
| Capital surplus | | | | | | |
| 3200 | Capital surplus | 6(17) | 2,816,734 | 3 | 292,159 | - |
| Retained earnings | | | | | | |
| 3310 | Legal reserve | 6(8) | 11,350,835 | 15 | 10,348,282 | 16 |
| 3320 | Special reserve | | 381,843 | 1 | 381,843 | 1 |
| 3350 | Unappropriated earnings | | 37,362,029 | 49 | 32,983,752 | 50 |
| Other equity | | | | | | |
| 3400 | Other equity | | 1,213,203 | 2 | (132,102) | - |
| 3XXX | Total equity | | <u>58,586,436</u> | <u>77</u> | <u>49,335,726</u> | <u>75</u> |
| Significant contingent liabilities and unrecognized contract commitments | | 9 | | | | |
| Significant events after balance sheet date | | 11 | | | | |
| 3X2X | Total liabilities and equity | | <u>\$ 76,469,958</u> | <u>100</u> | <u>\$ 66,132,309</u> | <u>100</u> |

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

| Items | Notes | 2019 | | 2018 | |
|--|------------------|----------------|-------|----------------|-------|
| | | Amount | % | Amount | % |
| 4000 Operating revenue | 6(19) and 7 | \$ 126,892,633 | 100 | \$ 109,034,011 | 100 |
| 5000 Operating costs | 6(5) and 7 | (116,041,832) | (91) | (99,481,045) | (91) |
| 5900 Gross profit before realized (unrealized) profit from sales to subsidiaries and associates | | 10,850,801 | 9 | 9,552,966 | 9 |
| 5910 Unrealized profit from sales | | (219,755) | - | (106,760) | - |
| 5920 Realized profit from sales | | 106,759 | - | 125,117 | - |
| 5950 Gross profit | | 10,737,805 | 9 | 9,571,323 | 9 |
| Operating expenses | 6(22) (23) and 7 | | | | |
| 6100 Selling expenses | | (2,370,053) | (2) | (2,128,256) | (2) |
| 6200 General and administrative expenses | | (1,478,673) | (1) | (1,318,632) | (1) |
| 6000 Total operating expenses | | (3,848,726) | (3) | (3,446,888) | (3) |
| 6900 Operating profit | | 6,889,079 | 6 | 6,124,435 | 6 |
| Non-operating income and expenses | | | | | |
| 7010 Other income | 6(20) and 7 | 1,362,154 | 1 | 1,093,122 | 1 |
| 7020 Other gains and losses | 6(21) | 154,320 | - | 258,387 | - |
| 7050 Finance costs | | (44,743) | - | (43,472) | - |
| 7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method | 6(6) | 5,376,506 | 4 | 4,500,124 | 4 |
| 7000 Total non-operating income and expenses | | 6,848,237 | 5 | 5,808,161 | 5 |
| 7900 Profit before income tax | | 13,737,316 | 11 | 11,932,596 | 11 |
| 7950 Income tax expense | 6(24) | (1,968,501) | (2) | (1,907,061) | (2) |
| 8200 Profit for the year | | \$ 11,768,815 | 9 | \$ 10,025,535 | 9 |
| Other comprehensive income (loss) for the year, net of tax | | | | | |
| Components of other comprehensive income (loss) that may not be reclassified to profit or loss | | | | | |
| 8316 Unrealized gain from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | \$ 1,241,130 | 1 | (\$ 349,323) | - |
| 8330 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method | | 160,893 | - | (33,771) | - |
| 8310 Total components of other comprehensive income (loss) that may not be reclassified to profit or loss | | 1,402,023 | 1 | (383,094) | - |
| Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | |
| 8361 Financial statement translation differences of foreign operations | | (246,805) | - | (92,653) | - |
| 8380 Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method | | 356,252 | - | (344,312) | (1) |
| 8399 Income tax related to components of other comprehensive income | | - | - | - | - |
| 8360 Total components of other comprehensive income (loss) that will be reclassified to profit or loss | | 109,447 | - | (436,965) | (1) |
| 8300 Other comprehensive income (loss) for the year, net of tax | | \$ 1,511,470 | 1 | (\$ 820,059) | (1) |
| 8500 Total comprehensive income for the year | | \$ 13,280,285 | 10 | \$ 9,205,476 | 8 |
| Earnings per share (in dollars) | 6(25) | | | | |
| 9750 Basic earnings per share | | \$ 21.55 | | \$ 18.36 | |
| 9850 Diluted earnings per share | | \$ 21.54 | | \$ 18.34 | |

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan Dollars)

| | Notes | Retained earnings | | | | | Other equity | | | | | | Total equity |
|---|-------|----------------------------|-----------------|---------------|-----------------|-------------------------|---|--|---|---|------------------------------------|-------------|---------------|
| | | Share-capital common stock | Capital surplus | Legal reserve | Special reserve | Unappropriated earnings | Financial statement translation differences of foreign operations | Unrealized gains (loss) on financial assets at fair value through other comprehensive income | Unrealized gain (loss) from available-for-sale financial assets | Loss on effective portion of cash flow hedges | Gain (loss) on hedging instruments | | |
| 2018 | | | | | | | | | | | | | |
| Balance at January 1, 2018 | | \$ 5,461,792 | \$ 263,060 | \$ 9,336,721 | \$ 381,843 | \$ 30,517,783 | (\$ 194,239) | \$ - | \$ 909,962 | (\$ 21,621) | \$ - | \$ - | \$ 46,655,301 |
| Effects on modified retrospective adjustment | | - | - | - | - | 22,037 | - | 887,925 | (909,962) | 21,621 | (21,621) | - | - |
| Balance at January 1, 2018 after retrospective adjustment | | 5,461,792 | 263,060 | 9,336,721 | 381,843 | 30,539,820 | (194,239) | 887,925 | - | - | (21,621) | - | 46,655,301 |
| Profit for the year | | - | - | - | - | 10,025,535 | - | - | - | - | - | - | 10,025,535 |
| Other comprehensive loss for the year | | - | - | - | - | (15,892) | (133,744) | (651,707) | - | - | (18,716) | (820,059) | - |
| Total comprehensive income (loss) | | - | - | - | - | 10,009,643 | (133,744) | (651,707) | - | - | (18,716) | (9,205,476) | - |
| Appropriation and distribution of retained earnings: 6(18) | | | | | | | | | | | | | |
| Legal reserve | | - | - | 1,011,561 | - | (1,011,561) | - | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (6,554,150) | - | - | - | - | - | (6,554,150) | - |
| Changes in equity of associates and joint ventures accounted for using equity method | | - | 3,050 | - | - | - | - | - | - | - | - | - | 3,050 |
| Difference between consideration and carrying amount of subsidiaries disposed | | - | 26,049 | - | - | - | - | - | - | - | - | - | 26,049 |
| Balance at December 31, 2019 | | \$ 5,461,792 | \$ 292,159 | \$ 10,348,282 | \$ 381,843 | \$ 32,983,752 | (\$ 327,983) | \$ 236,218 | \$ - | \$ - | (\$ 40,337) | \$ - | \$ 49,335,726 |
| 2019 | | | | | | | | | | | | | |
| Balance at January 1, 2019 | | \$ 5,461,792 | \$ 292,159 | \$ 10,348,282 | \$ 381,843 | \$ 32,983,752 | (\$ 327,983) | \$ 236,218 | \$ - | \$ - | (\$ 40,337) | \$ - | \$ 49,335,726 |
| Profit for the year | | - | - | - | - | 11,768,815 | - | - | - | - | - | - | 11,768,815 |
| Other comprehensive income (loss) for the year | | - | - | - | - | 166,165 | (359,145) | 1,657,245 | - | - | 47,205 | 1,511,470 | - |
| Total comprehensive income (loss) | | - | - | - | - | 11,934,980 | (359,145) | 1,657,245 | - | - | 47,205 | 13,280,285 | - |
| Appropriation and distribution of retained earnings: 6(18) | | | | | | | | | | | | | |
| Legal reserve | | - | - | 1,002,553 | - | (1,002,553) | - | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | (6,554,150) | - | - | - | - | - | (6,554,150) | - |
| Changes in equity of associates and joint ventures accounted for using equity method | | - | (16) | - | - | - | - | - | - | - | - | (16) | - |
| Difference between consideration and carrying amount of subsidiaries disposed 6(6) | | - | 164,197 | - | - | - | - | - | - | - | - | - | 164,197 |
| Participation of capital increase of subsidiaries not proportionately to ownership 6(6) | | - | 2,360,394 | - | - | - | - | - | - | - | - | - | 2,360,394 |
| Balance at December 31, 2019 | | \$ 5,461,792 | \$ 2,816,734 | \$ 11,350,835 | \$ 381,843 | \$ 37,362,029 | (\$ 687,128) | \$ 1,893,463 | \$ - | \$ - | \$ 6,868 | \$ - | \$ 58,586,436 |

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

HO TAI MOTOR CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2019 | 2018 |
|--|-----------|----------------------|----------------------|
| <u>Cash flows from operating activities</u> | | | |
| Profit before income tax | | \$ 13,737,316 | \$ 11,932,596 |
| Adjustments to reconcile profit before tax to net cash provided by operating activities | | | |
| Income and expenses having no effect on cash flows | | | |
| Net (gain) loss on financial assets and liabilities at fair value through profit or loss | 6(21) | 117,446 | (81,126) |
| Depreciation | | 97,423 | 89,916 |
| Net loss on disposal of property, plant and equipment | 6(21) | 773 | 162 |
| Loss on abandonment of property, plant and equipment | 6(21) | 139 | 154 |
| Share of profit of associates accounted for using equity method | 6(6) | (5,376,506) | (4,500,124) |
| Dividend income | | (250,185) | (134,285) |
| Interest expense | | 44,743 | 43,472 |
| Interest income | 6(20) | (63,416) | (85,190) |
| Gains on disposal of investments | | - | (4,678) |
| Unrealized profit from sales | | 219,755 | 106,760 |
| Realized profit from sales | | (106,759) | (125,117) |
| 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 | | 17,250 | 4,678 |
| Notes receivable | | (837) | 80,277 |
| Accounts receivable | | 443,979 | (6,137) |
| Other receivables | | 176,701 | (77,288) |
| Inventories | | (1,989,374) | (2,056,753) |
| Prepayments | | (53,974) | (146,783) |
| Net changes in liabilities relating to operating activities | | | |
| Notes and accounts payable | | 14,755 | 452,295 |
| Other payables | | (122,841) | 497,368 |
| Other current liabilities | | (3,860) | (10,486) |
| Other non-current liabilities | | 696,056 | 1,534 |
| Cash inflow generated from operations | | 7,598,584 | 5,981,245 |
| Cash dividends received | | 2,757,140 | 2,318,801 |
| Interest paid | | (44,878) | (42,793) |
| Interest received | | 63,558 | 77,102 |
| Income tax paid | | (1,845,898) | (1,581,432) |
| Net cash provided by operating activities | | <u>8,528,506</u> | <u>6,752,923</u> |
| <u>Cash flows from investing activities</u> | | | |
| Acquisition of financial assets at fair value through other comprehensive income | | - | (6,083,183) |
| Acquisition of investments accounted for using equity method | 6(6) | (718,591) | - |
| Acquisition of property, plant and equipment and investment property | 6(7)(10) | (341,954) | (113,258) |
| Proceeds from disposal of property, plant and equipment | 6(7) | 8,762 | 528 |
| Decrease in other non-current assets | | (91,094) | 42,370 |
| Net cash used in investing activities | | <u>(1,142,877)</u> | <u>(6,153,543)</u> |
| <u>Cash flows from financing activities</u> | | | |
| Increase in short-term loans | 6(27) | 70,593 | 1,071,101 |
| Cash dividends paid | 6(18)(27) | (6,554,150) | (6,554,150) |
| Repayments of principal portion of lease liability | 6(27) | (5,818) | - |
| Net cash used in financing activities | | <u>(6,489,375)</u> | <u>(5,483,049)</u> |
| Increase (decrease) in cash and cash equivalents | | 896,254 | (4,883,669) |
| Cash and cash equivalents at beginning of year | | 131,976 | 5,015,645 |
| Cash and cash equivalents at end of year | | <u>\$ 1,028,230</u> | <u>\$ 131,976</u> |

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

HO TAI MOTOR CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

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

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

These parent company only financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 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 9, ‘Prepayment features with negative compensation’ | January 1, 2019 |
| IFRS 16, ‘Leases’ | January 1, 2019 |
| Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’ | January 1, 2019 |
| Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’ | January 1, 2019 |
| IFRIC 23, ‘Uncertainty over income tax treatments’ | January 1, 2019 |
| Annual improvements to IFRSs 2015-2017 cycle | January 1, 2019 |

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognize a ‘right-of-use asset’ and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and

account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ by \$13,151 and increased ‘lease liability’ by \$13,151, with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate of 0.76%.
- E. The Company recognized lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognized as of January 1, 2019 is as follows:

| | | |
|---|----|---------------|
| Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018 | \$ | 13,268 |
| Total lease contracts amount recognized as lease liabilities by applying IFRS 16 on January 1, 2019 | | 13,268 |
| Incremental borrowing interest rate at the date of initial application | | <u>0.76%</u> |
| Lease liabilities recognized as at January 1, 2019 by applying IFRS 16 | \$ | <u>13,151</u> |

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

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

| <u>New and Revised Standards, Interpretations and Amendments</u> | <u>Effective date issued by International Accounting Standards Board</u> |
|--|--|
| Amendment to IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’ | January 1, 2020 |
| Amendments to IFRS 3, ‘Definition of a business’ | January 1, 2020 |
| Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’ | January 1, 2020 |

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

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

New 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, 2021 |
| Amendments to IAS 1, ‘Classification of liabilities as current or noncurrent’ | January 1, 2022 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.

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

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are

recognized in profit or loss in the period in which they arise.

- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses based on the nature of those transitions are presented in the statement of comprehensive income within “other gains or losses”.

B. Translation of foreign operations

- (a) The operating results and financial position of all the entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognized in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is an associate or jointly arrangements, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, when the Company retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

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

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.
- D. The Company recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to

receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

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

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

(11) Operating leases (lessor)

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

(12) Inventories

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

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

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

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

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

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

E. The Company's share of its associates' post-acquisition profits or losses is recognized in profit

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

- F. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- G. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- H. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- I. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- J. Pursuant to the "Rules Governing the Preparation of Financial Statements by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property, plant and equipment

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

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

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

| | |
|--------------------------|--------------|
| Buildings and structures | 3 ~ 50 years |
| Utility equipment | 8 ~ 10 years |
| Office equipment | 2 ~ 20 years |
| Other equipment | 5 ~ 6 years |
| Rental assets | 8 years |

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

Effective 2019

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

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

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

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

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

(16) Operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 10~50 years.

(18) Impairment of non-financial assets

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

(19) Borrowings

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

(20) Notes and accounts payable

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

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

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

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

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

(22) Derecognition of financial liabilities

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

(23) Provisions

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

(24) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Employees' compensation and directors' remuneration

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

(25) Income tax

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

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

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

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

E. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and

equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(26) Share capital

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

(27) Dividends

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

(28) Revenue recognition

Sales of goods

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

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

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

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

are recognized. The Company reassesses the reasonableness of estimates of discounts and returns periodically.

B. Provisions for warranty

To enhance customer’s confidence on product quality, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(15) “Provisions” for more information. As of December 31, 2019, the carrying amount of provisions for warranty was \$2,420,516.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | <u>December 31,</u> | |
|---|---------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash on hand and revolving funds | \$ 330 | \$ 320 |
| Checking accounts and demand deposits | 229,585 | 131,656 |
| Cash equivalents-short-term notes and bills | <u>798,315</u> | <u>-</u> |
| | <u>\$ 1,028,230</u> | <u>\$ 131,976</u> |

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

(Remainder of page intentionally left blank)

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

| <u>Items</u> | <u>December 31,</u> | |
|--|---------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Financial assets at fair value through profit or loss | | |
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Derivative instruments | <u>\$ -</u> | <u>\$ 4,171</u> |
| Non-current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Corporate bonds | <u>\$ 500,000</u> | <u>\$ 500,000</u> |
| Financial liabilities at fair value through profit or loss | | |
| Current items: | | |
| Financial liabilities held for trading | | |
| Derivative instruments | <u>\$ 149,572</u> | <u>\$ 19,047</u> |

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

| <u>Items</u> | <u>Years ended December 31,</u> | |
|--|---------------------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Derivative instruments | <u>(\$ 134,696)</u> | <u>\$ 81,126</u> |
| Beneficiary certificates | <u>-</u> | <u>4,678</u> |
| | <u>(\$ 134,696)</u> | <u>\$ 85,804</u> |

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

| | <u>December 31, 2019</u> | |
|------------------------------------|--|-----------------------------|
| | <u>Contract amount (Notional principal) (in thousands)</u> | <u>Contract period</u> |
| <u>Derivative instruments</u> | | |
| Current items: | | |
| Forward foreign exchange contracts | <u>USD 404,846</u> | <u>2019.7.25~2020.5.14</u> |
| | | |
| | <u>December 31, 2018</u> | |
| | <u>Contract amount (Notional principal) (in thousands)</u> | <u>Contract period</u> |
| <u>Derivative instruments</u> | | |
| Current items: | | |
| Forward foreign exchange contracts | <u>USD 249,726</u> | <u>2018.10.15~2019.3.14</u> |

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

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

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

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

| <u>Items</u> | <u>December 31,</u> | |
|-----------------------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Current items: | | |
| Equity instruments | | |
| Listed stocks and unlisted stocks | \$ 6,413,881 | \$ 6,413,880 |
| Valuation adjustment | <u>1,390,673</u> | <u>149,544</u> |
| | <u>\$ 7,804,554</u> | <u>\$ 6,563,424</u> |

A. The Company has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$7,804,554 and \$6,563,424, respectively, as of December 31, 2019 and 2018.

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

| <u>Items</u> | <u>Years ended</u> <u>December 31,</u> | |
|---|---|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Equity instruments at fair value through other comprehensive income | | |
| Changes in fair value recognized in other comprehensive income | <u>\$ 1,241,130</u> | <u>(\$ 349,323)</u> |

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

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

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

| | <u>December 31,</u> | |
|---------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Notes receivable | \$ 8,679 | \$ 7,842 |
| Accounts receivable | <u>2,244,364</u> | <u>2,688,343</u> |
| | <u>\$ 2,253,043</u> | <u>\$ 2,696,185</u> |

A. The Company has no past due accounts receivable.

B. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,253,043, \$2,696,185 and \$2,770,325, respectively.

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

(5) Inventories

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

| | December 31, 2018 | | |
|----------------------|---------------------|------------------------------|---------------------|
| | Cost | Allowance for valuation loss | Book value |
| Vehicles | \$ 2,721,010 | \$ - | \$ 2,721,010 |
| Parts | 695,535 | (66,794) | 628,741 |
| Inventory in transit | 1,886,589 | - | 1,886,589 |
| | <u>\$ 5,303,134</u> | <u>(\$ 66,794)</u> | <u>\$ 5,236,340</u> |

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

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

| | Years ended December 31, | |
|---|--------------------------|----------------------|
| | 2019 | 2018 |
| Cost of goods sold | \$ 116,031,159 | \$ 99,473,107 |
| Loss on market value decline of inventories | 6,451 | 2,216 |
| | <u>\$ 116,037,610</u> | <u>\$ 99,475,323</u> |

(6) Investments accounted for using equity method

| | December 31, | |
|---|----------------------|----------------------|
| | 2019 | 2018 |
| Hozan Investment Co., Ltd. | \$ 20,714,779 | \$ 16,621,719 |
| Shanghai Ho-Yu (BVI) Investment Co., Ltd. | 5,834,220 | 4,566,458 |
| Kuozui Motors, Ltd. | 4,315,317 | 4,286,842 |
| Change Yuan Motor Co., Ltd. | 4,150,614 | 4,226,064 |
| Central Motor Co., Ltd. | 2,528,177 | 2,444,355 |
| Ho Tai Development Co., | 2,616,032 | 2,437,722 |
| Tau Miao Motor Co., Ltd. | 1,501,798 | 1,428,177 |
| Kau Du Automobile Co., Ltd. | 1,361,522 | 1,321,898 |
| Carmax Co., Ltd. | 1,284,584 | 1,201,670 |
| Kuotu Motor Co., Ltd. | 1,124,145 | 1,018,969 |
| Taipei Toyota Motor Co., Ltd. | 1,078,674 | 980,667 |
| Nan Du Motor Co., Ltd. | 1,009,110 | 938,419 |
| Toyota Material Handing Taiwan Ltd. | 977,506 | 849,171 |
| Eastern Motor Co., Ltd. | 378,068 | 359,618 |
| Lang Yang Toyota Motor Co., Ltd. | 293,845 | 284,740 |
| Formosa Flexible Packaging Corp. | 357,798 | 272,434 |
| Shi-Ho Screw Industrial Co., Ltd., etc. | 253,099 | 270,305 |
| | <u>\$ 49,779,288</u> | <u>\$ 43,509,228</u> |

- A. Please refer to Note 4(3) of the 2019 and 2018 consolidated financial statements for related information about subsidiaries of the Company.
- B. Hotai Finance Co., Ltd. has quoted market price. As of December 31, 2019, the fair value of Hotai Finance Co., Ltd. was \$20,783,294.
- C. The share of profit of investments accounted for using the equity method were \$5,376,506 and \$4,500,124, which were valued based on the investees' financial statements audited by auditors for the years ended December 31, 2019 and 2018, respectively.
- D. The carrying amount of the Company's interests in all individually immaterial associates and the Company's share of the financial performance are summarized as follows:

The individually immaterial associates of the Company for the years ended December 31, 2019 and 2018 amounted to \$13,806,849 and \$13,234,524, respectively.

| | <u>Years ended December 31,</u> | |
|-----------------------------------|---------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Comprehensive income for the year | <u>\$ 4,505,197</u> | <u>\$ 3,208,831</u> |

- E. On July 31, 2019, the Company participated in the capital increase of Formosa Flexible Packaging Corporation by acquiring 287,499 shares amounting to \$81,963, and the shareholding would be 44.44% after the completion.
- F. On July 16, 2019, the Company participated in the capital increase of Shanghai Ho-Yu (BVI) Investment Co., Ltd. amounting to \$636,628.
- G. On December 5, 2019, the shareholders of the subsidiary, Hozan Investment Co., Ltd., during their meeting approved that Hozan Investment Co., Ltd. did not participate in the capital increase raised by Hotai Finance Co., Ltd.. As a result, its shareholding ratio decreased to 47.84%. Hozan Investment Co., Ltd. still has substantial control over Hotai Finance Co., Ltd. even if Hozan Investment Co., Ltd.'s shareholding ratio was under 50%. Therefore, Hozan Investment Co., Ltd. did not classify the change of equity from acquiring shares disproportionately to ownership of \$2,360,394 as changes of capital surplus.
- H. On December 9, 2019, the shareholders of the subsidiary, Hozan Investment Co., Ltd., during their meeting approved to sell 12,586,000 shares of Hotai Finance Co., Ltd.. The total consideration was \$665,057, net of securities exchange tax. Hozan Investment Co., Ltd. recognised gain on disposal amounting to \$164,197, which was recognised in changes of capital surplus since the Hozan Investment Co.,Ltd. did not lose its control over Hotai Finance Co., Ltd..

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(7) Property, plant and equipment

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

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Utility equipment</u> | <u>Office equipment</u> | <u>Others</u> | <u>Rental assets</u> | <u>Construction in progress</u> | <u>Total</u> |
|---|---------------------|---------------------------------|--------------------------|-------------------------|-----------------|----------------------|---------------------------------|---------------------|
| <u>At January 1, 2018</u> | | | | | | | | |
| Cost | \$ 2,143,310 | \$ 1,218,845 | \$ 129,010 | \$ 526,759 | \$ 6,103 | \$ 102,538 | \$ 11,237 | \$ 4,137,802 |
| Revaluation gain | 931,497 | 96 | - | - | - | - | - | 931,593 |
| Accumulated depreciation and impairment | (26,850) | (663,890) | (127,086) | (434,814) | (5,108) | (102,176) | - | (1,359,924) |
| | <u>\$ 3,047,957</u> | <u>\$ 555,051</u> | <u>\$ 1,924</u> | <u>\$ 91,945</u> | <u>\$ 995</u> | <u>\$ 362</u> | <u>\$ 11,237</u> | <u>\$ 3,709,471</u> |
| <u>2018</u> | | | | | | | | |
| Opening net book amount as of January 1 | \$ 3,047,957 | \$ 555,051 | \$ 1,924 | \$ 91,945 | \$ 995 | \$ 362 | \$ 11,237 | \$ 3,709,471 |
| Additions | - | 11,521 | 270 | 7,312 | 1,718 | - | 92,269 | 113,090 |
| Disposals | - | - | - | (844) | - | - | - | (844) |
| Reclassifications | - | 9,579 | 362 | 14,518 | - | - | (23,320) | 1,139 |
| Depreciation | - | (34,978) | (559) | (28,228) | (407) | (44) | - | (64,216) |
| Closing net book amount as of December 31 | <u>\$ 3,047,957</u> | <u>\$ 541,173</u> | <u>\$ 1,997</u> | <u>\$ 84,703</u> | <u>\$ 2,306</u> | <u>\$ 318</u> | <u>\$ 80,186</u> | <u>\$ 3,758,640</u> |
| <u>At December 31, 2018</u> | | | | | | | | |
| Cost | \$ 2,143,310 | \$ 1,251,553 | \$ 129,642 | \$ 515,052 | \$ 7,821 | \$ 78,612 | \$ 80,186 | \$ 4,206,176 |
| Revaluation gain | 931,497 | 96 | - | - | - | - | - | 931,593 |
| Accumulated depreciation and impairment | (26,850) | (710,476) | (127,645) | (430,349) | (5,515) | (78,294) | - | (1,379,129) |
| | <u>\$ 3,047,957</u> | <u>\$ 541,173</u> | <u>\$ 1,997</u> | <u>\$ 84,703</u> | <u>\$ 2,306</u> | <u>\$ 318</u> | <u>\$ 80,186</u> | <u>\$ 3,758,640</u> |

(8) Leasing arrangements - lessee

Effective 2019

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

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

| | Year ended | |
|-----------|--------------------------|----------------------------|
| | <u>December 31, 2019</u> | <u>December 31, 2019</u> |
| | <u>Carrying amount</u> | <u>Depreciation charge</u> |
| Land | \$ 6,906 | \$ 5,525 |
| Buildings | 400 | 320 |
| | <u>\$ 7,306</u> | <u>\$ 5,845</u> |

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

| | Year ended |
|--|--------------------------|
| | <u>December 31, 2019</u> |
| <u>Items affecting profit or loss</u> | |
| Interest expense on lease liabilities | \$ 80 |
| Expense on short-term lease contracts and leases of low-value assets | 33,007 |

D. For the year ended December 31, 2019, the Company's total cash outflow for lease amounted to \$38,905.

(9) Leasing arrangements - lessor

Effective 2019

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

B. For the year ended December 31, 2019, the Company recognized rent income in the amount of \$195,942 based on the operating lease agreement, which does not include variable lease payments.

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

| | <u>December 31, 2019</u> |
|-----------------------|--------------------------|
| Less than 1 year | \$ 199,992 |
| Between 1 and 2 years | 8,444 |
| Between 2 and 3 years | 8,444 |
| Between 3 to 4 years | 8,444 |
| Between 4 to 5 years | 1,181 |
| More than 6 years | 7,774 |
| | <u>\$ 234,279</u> |

(10) Investment property

| | <u>Land</u> | <u>Buildings and Structures</u> | <u>Total</u> |
|---|---------------------|-------------------------------------|---------------------|
| <u>At January 1, 2019</u> | | | |
| Cost | \$ 755,900 | \$ 978,816 | \$ 1,734,716 |
| Revaluation gain | 742,263 | 11,983 | 754,246 |
| Accumulated depreciation | - | (499,343) | (499,343) |
| | <u>\$ 1,498,163</u> | <u>\$ 491,456</u> | <u>\$ 1,989,619</u> |
| <u>2019</u> | | | |
| Opening net book amount as of January 1 | \$ 1,498,163 | \$ 491,456 | \$ 1,989,619 |
| Additions | - | 269 | 269 |
| Reclassifications | - | 747 | 747 |
| Depreciation | - | (24,892) | (24,892) |
| Closing net book amount as of December 31 | <u>\$ 1,498,163</u> | <u>\$ 467,580</u> | <u>\$ 1,965,743</u> |
| <u>At December 31, 2019</u> | | | |
| Cost | \$ 755,900 | \$ 977,322 | \$ 1,733,222 |
| Revaluation gain | 742,263 | 11,983 | 754,246 |
| Accumulated depreciation | - | (521,725) | (521,725) |
| | <u>\$ 1,498,163</u> | <u>\$ 467,580</u> | <u>\$ 1,965,743</u> |
| | | | |
| | <u>Land</u> | <u>Buildings and Structures</u> | <u>Total</u> |
| <u>At January 1, 2018</u> | | | |
| Cost | \$ 755,900 | \$ 991,395 | \$ 1,747,295 |
| Revaluation gain | 742,263 | 11,983 | 754,246 |
| Accumulated depreciation | - | (485,251) | (485,251) |
| | <u>\$ 1,498,163</u> | <u>\$ 518,127</u> | <u>\$ 2,016,290</u> |
| <u>2018</u> | | | |
| Opening net book amount as of January 1 | \$ 1,498,163 | \$ 518,127 | \$ 2,016,290 |
| Additions | - | 168 | 168 |
| Reclassifications | - | (1,139) | (1,139) |
| Depreciation | - | (25,700) | (25,700) |
| Closing net book amount as of December 31 | <u>\$ 1,498,163</u> | <u>\$ 491,456</u> | <u>\$ 1,989,619</u> |
| <u>At December 31, 2018</u> | | | |
| Cost | \$ 755,900 | \$ 978,816 | \$ 1,734,716 |
| Revaluation gain | 742,263 | 11,983 | 754,246 |
| Accumulated depreciation | - | (499,343) | (499,343) |
| | <u>\$ 1,498,163</u> | <u>\$ 491,456</u> | <u>\$ 1,989,619</u> |

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

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Rental income from investment property | <u>\$ 195,942</u> | <u>\$ 202,313</u> |
| Direct operating expenses arising from the investment property that generated rental income during the year | <u>\$ 24,892</u> | <u>\$ 25,700</u> |

B. The fair value of the investment property held by the Company was \$3,899,316 and \$3,893,857 as of December 31, 2019 and 2018, respectively.

(11) Short-term loans

| <u>Type of loans</u> | <u>December 31,</u> | |
|----------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Unsecured loans | <u>\$ 1,951,407</u> | <u>\$ 1,880,814</u> |
| Annual interest rate | <u>2.10%~2.36%</u> | <u>0.76%~2.94%</u> |

Interest expense recognised in profit or loss amounted to \$32,854 and \$30,789 for the years ended December 31, 2019 and 2018, respectively.

(12) Accounts payable (including related parties)

| | <u>December 31,</u> | |
|---------------------------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Accounts payable | <u>\$ 3,236,035</u> | <u>\$ 3,395,389</u> |
| Accounts payable - foreign currencies | <u>5,177,178</u> | <u>4,934,039</u> |
| | <u>8,413,213</u> | <u>8,329,428</u> |
| Valuation adjustment | <u>(96,157)</u> | <u>(27,127)</u> |
| | <u>\$ 8,317,056</u> | <u>\$ 8,302,301</u> |

(13) Other payables

| | <u>December 31,</u> | |
|-----------------------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Year-end bonus payable | <u>\$ 728,944</u> | <u>\$ 658,214</u> |
| Dealer premium bonus payable | <u>578,644</u> | <u>486,265</u> |
| Remuneration payable to directors | <u>283,244</u> | <u>246,033</u> |
| Advertisement expense payable | <u>173,988</u> | <u>464,443</u> |
| Warranty cost payable | <u>93,165</u> | <u>144,541</u> |
| Remuneration payable to employees | <u>141,622</u> | <u>123,016</u> |
| Others | <u>515,250</u> | <u>515,173</u> |
| | <u>\$ 2,514,857</u> | <u>\$ 2,637,685</u> |

(14) Pensions

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

The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$27,704 and \$27,189, respectively.

(15) Provisions

| | <u>Warranty</u> |
|---------------------------------------|---------------------|
| At January 1, 2018 | \$ 1,724,457 |
| Additional provisions during the year | 1,489,014 |
| Used during the year | (792,955) |
| At December 31, 2018 | <u>\$ 2,420,516</u> |

Analysis of total provision:

| | <u>December 31,</u> | |
|-------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Current | <u>\$ 720,784</u> | <u>\$ 649,784</u> |
| Non-current | <u>\$ 1,699,732</u> | <u>\$ 1,074,673</u> |

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

(16) Share capital

As of December 31, 2019, the Company’s authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company’s ordinary shares outstanding at January 1, 2019 and December 31, 2019 was both 546,179,184 shares.

(17) Capital surplus

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

(18) Retained earnings

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

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

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. The Company recognized dividends distributed to shareholders amounting to \$6,554,150 (\$12.0 per share) for both the years of 2019 and 2018. On March 26, 2020, the Board of Directors resolved that total dividends for the distribution of earnings for the year 2019 was \$7,646,509 at \$14 (in dollars) per share.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(23).

(19) Operating revenue

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> |
| Revenue from contracts with customers - Sales revenue | \$ 125,454,108 | \$ 107,752,609 |
| Revenue from contracts with customers - Service revenue | <u>1,438,525</u> | <u>1,281,402</u> |
| | <u>\$ 126,892,633</u> | <u>\$ 109,034,011</u> |

Disaggregation of revenue from contracts with customers

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

| | <u>Years ended December 31,</u> | |
|-------------------------------|---------------------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> |
| Goods category: | | |
| Sales of goods | \$ 125,454,108 | \$ 107,752,609 |
| Service revenue | <u>1,438,525</u> | <u>1,281,402</u> |
| | <u>\$ 126,892,633</u> | <u>\$ 109,034,011</u> |
| Timing of revenue recognition | | |
| At a point in time | <u>\$ 126,892,633</u> | <u>\$ 109,034,011</u> |

(20) Other income

| | Years ended December 31, | |
|-----------------|--------------------------|---------------------|
| | 2019 | 2018 |
| Rental income | \$ 195,942 | \$ 202,313 |
| Interest income | 63,416 | 85,190 |
| Others | 1,102,796 | 805,619 |
| | <u>\$ 1,362,154</u> | <u>\$ 1,093,122</u> |

(21) Other gains and losses

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | 2019 | 2018 |
| Net (loss) gain on financial assets/liabilities at fair value through profit or loss | (\$ 117,446) | \$ 81,126 |
| Loss on disposal of property, plant and equipment | (773) | (162) |
| Loss on abandonment of property, plant and equipment | (139) | (154) |
| Net currency exchange gain | 439,563 | 199,129 |
| Gain on disposal of investments | - | 4,678 |
| Miscellaneous disbursements | (166,885) | (26,230) |
| | <u>\$ 154,320</u> | <u>\$ 258,387</u> |

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

| | Years ended December 31, | |
|--------------------------|--------------------------|---------------------|
| | 2019 | 2018 |
| Employee benefit expense | \$ 1,918,383 | \$ 1,749,732 |
| Depreciation | 97,423 | 89,916 |
| | <u>\$ 2,015,806</u> | <u>\$ 1,839,648</u> |

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

| | Years ended December 31, | |
|---------------------------------|--------------------------|---------------------|
| | 2019 | 2018 |
| Wages and salaries | \$ 1,426,229 | \$ 1,309,180 |
| Labor and health insurance fees | 64,101 | 62,314 |
| Pension costs | 27,704 | 27,189 |
| Directors' remuneration | 300,134 | 262,853 |
| Other personnel expenses | 100,215 | 88,196 |
| | <u>\$ 1,918,383</u> | <u>\$ 1,749,732</u> |

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

B. For the years ended December 31, 2019 and 2018, employees' remuneration was accrued at \$141,622 and \$123,016, respectively; while directors' remuneration was accrued at \$283,244 and \$246,033, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based

on 1% and 2% of distributable profit of current year for the year ended December 31, 2019. The employees' compensation and directors' remuneration resolved by the Board of Directors were \$141,622 and \$283,244 on March 26, 2020, and the employees' compensation will be distributed in cash.

Employees' compensation and directors' remuneration of 2018 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2018 financial statements.

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

(24) Income tax

A. Income tax expense

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Current tax: | | |
| Current tax expense recognized in the current year | \$ 1,810,874 | \$ 1,457,873 |
| Tx on undistributed surplus earnings | 123,442 | 254,990 |
| Prior year income tax under (over) estimation | 7,495 | (4,999) |
| Total current tax | <u>1,941,811</u> | <u>1,707,864</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 26,690 | 182,055 |
| Impact of change in tax rate | - | 17,142 |
| Total deferred tax | <u>26,690</u> | <u>199,197</u> |
| Income tax expense | <u>\$ 1,968,501</u> | <u>\$ 1,907,061</u> |

B. Reconciliation between income tax expense and accounting profit

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Income tax expense at the statutory rate | \$ 2,747,462 | \$ 2,386,519 |
| Effects from adjustments based on regulation | (909,898) | (746,591) |
| Tax on undistributed surplus earnings | 123,442 | 254,990 |
| Prior year income tax under (over) estimation | 7,495 | (4,999) |
| Effect from changes in tax regulation | - | 17,142 |
| Income tax expense | <u>\$ 1,968,501</u> | <u>\$ 1,907,061</u> |

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

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

| | Year ended December 31, 2018 | | |
|---|------------------------------|---------------------------------|---------------------|
| | January 1 | Recognized in profit or loss | December 31 |
| Temporary differences: | | | |
| -Deferred tax assets: | | | |
| Allowance for inventory obsolescence | \$ 10,979 | \$ 2,380 | \$ 13,359 |
| Provision for after-sale service | 7,730 | 1,364 | 9,094 |
| Bad debt expense | 13,906 | (13,906) | - |
| Unrealized gain on inter-affiliate accounts | 21,270 | 82 | 21,352 |
| Others | <u>185,468</u> | <u>26,077</u> | <u>211,545</u> |
| | <u>239,353</u> | <u>15,997</u> | <u>255,350</u> |
| -Deferred tax liabilities: | | | |
| Gain on investment accounted for using equity method | (324,167) | (221,071) | (545,238) |
| Land value increment tax | (509,365) | - | (509,365) |
| Others | (12,326) | 5,877 | (6,449) |
| | <u>(845,858)</u> | <u>(215,194)</u> | <u>(1,061,052)</u> |
| | <u>(\$ 606,505)</u> | <u>(\$ 199,197)</u> | <u>(\$ 805,702)</u> |

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

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

| | <u>Year ended December 31, 2018</u> | | |
|--|-------------------------------------|---|--|
| | <u>Amount after tax</u> | <u>Weighted average number of ordinary shares outstanding (shares in thousands)</u> | <u>Earnings per share (in dollars)</u> |
| <u>Basic earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | <u>\$ 10,025,535</u> | <u>546,179</u> | <u>\$ 18.36</u> |
| <u>Diluted earnings per share</u> | | | |
| Profit attributable to ordinary shareholders | \$ 10,025,535 | 546,179 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' bonus | <u>-</u> | <u>578</u> | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | <u>\$ 10,025,535</u> | <u>546,757</u> | <u>\$ 18.34</u> |

(26) Operating leases

Prior to 2018

A. Lessor

The Company leases its land and office building to related and non-related parties under operating lease agreements with terms 3 years. Future expected rental income are as follows:

| | <u>December 31, 2018</u> |
|--------------|--------------------------|
| Up to 1 year | \$ 188,843 |
| 1 to 5 years | <u>184,670</u> |
| | <u>\$ 373,513</u> |

B. Lessee

The Company leases business premises from related and non-related parties. Rental expenses recognized in operating expense for the year ended December 31 amounted to \$41,290. Future expected rental expenses are as follows:

| | <u>December 31, 2018</u> |
|--------------|--------------------------|
| Up to 1 year | \$ 5,897 |
| 1 to 5 years | <u>7,371</u> |
| | <u>\$ 13,268</u> |

(27) Changes in liabilities from financing activities

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

| | <u>Short-term loans</u> | <u>Dividend payable</u> | <u>Lease liabilities</u> | <u>Liabilities from Financing activities-gross</u> |
|--|-----------------------------|-----------------------------|------------------------------|--|
| January 1, 2018 | \$ 809,713 | \$ 6,604 | \$ - | \$ 816,317 |
| Changes in cash flow from financing activities | 1,071,101 | (6,554,150) | - | (5,483,049) |
| Changes in other non-cash items | - | <u>6,554,120</u> | - | <u>6,554,120</u> |
| December 31, 2018 | <u>\$ 1,880,814</u> | <u>\$ 6,574</u> | <u>\$ -</u> | <u>\$ 1,887,388</u> |

7. RELATED PARTY TRANSACTIONS

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

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| Toyota Motor Asia Pacific Pte Ltd.(TMAP) | Entity controlled by key management |
| Toyota Motor Manufacturing Turkey Inc. | Entity controlled by key management |
| Toyota Motor Philippines Corp. | Entity controlled by key management |
| Toyota-Motor-Europe-Nv/Sa | Entity controlled by key management |
| Toyota-Motor-Sales-USA | Entity controlled by key management |
| Toyota Auto Body Co.,Ltd | Entity controlled by key management |
| Toyota Daihatsu Engineering & Manufacturing Co.,Ltd | Entity controlled by key management |
| Hino Motors, Ltd. | Entity controlled by key management |
| Toyota Motor Corporation (TMC) | Entity controlled by key management |
| Ho Chuang Insurance Agency Co., Ltd. | Entity controlled by key management |
| Ho An Insurance Agency Co., Ltd. | Entity controlled by key management |
| Ho Yu Investment Co., Ltd. | Entity controlled by key management |
| Shanghai Hoxin Motor Service Consulting Co.,Ltd. | Subsidiary |
| Toyota Material Handling Taiwan Ltd. | Subsidiary |
| Doroman Autoparts Co., Ltd. | Subsidiary |
| Carmax Co., Ltd. (Carmax) | Subsidiary |
| Hotai Innovation Marketing Co. | Subsidiary |
| Hozan Investment Co., Ltd. | Subsidiary |
| Ho Tai Service & Marketing Co., Ltd. | Subsidiary |
| Hotai Insurance Co., Ltd. | Subsidiary |
| Ho Tai Development Co., Ltd. | Subsidiary |
| Ho Tai Cyber Connection Co., Ltd. | Subsidiary |
| Hotong Motor Investment Co., Ltd. | Subsidiary |
| Hoing Mobility Service Corporation | Subsidiary |

| <u>Names of related parties</u> | <u>Relationship with the Company</u> |
|--|--------------------------------------|
| Hotai Leasing Co., Ltd. (Hotai Leasing) | Subsidiary |
| Hotai Finance Co., Ltd. | Subsidiary |
| Eastern Motor Co., Ltd. | Subsidiary |
| Chang Yuan Motor Co., Ltd. (Chang Yuan) | Subsidiary |
| Smart Design Technology Co., Ltd. | Subsidiary |
| Triple S Digital Co.,Ltd | Associate |
| Formosa Flexible Packaging Corp. | Associate |
| Yokohama Tire Taiwan Co., Ltd. | Associate |
| Kuozui Motors, Ltd. (Kuozui) | Associate |
| Kuotu Motor Co., Ltd. (Kuotu) | Associate |
| Taipei Toyota Motor Co., Ltd. (Taipei Motor) | Associate |
| Tau Miao Motor Co., Ltd. (Tau Miao) | Associate |
| Central Motor Co., Ltd. (Central Motor) | Associate |
| Nan Du Motor Co., Ltd. (Nan Du) | Associate |
| Kau Du Automobile Co., Ltd. (Kau Du) | Associate |
| Lang Yang Toyota Motor Co., Ltd. | Associate |
| Hozao Enterprise Co., Ltd. | Associate |
| Hohung Motors Co., Ltd. | Associate |
| Horung Motors Co., Ltd. | Associate |
| Zhong Cheng Motors Co., Ltd. | Associate |
| Fan Tai Transportation Co., Ltd. | Associate |
| Yi Tai Transportation Co., Ltd. | Associate |
| Hua Tai Transportation Co., Ltd. | Associate |

(2) Significant related party transactions and balances

A. Operating revenue

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|-----------------------|
| | <u>2019</u> | <u>2018</u> |
| (a)Interest income: | | |
| -Associates | | |
| Central Motor | \$ 24,687,620 | \$ 21,865,842 |
| Tau Miao | 22,529,225 | 19,979,421 |
| Kuotu | 19,528,719 | 15,051,068 |
| Taipei Motor | 18,390,880 | 16,557,920 |
| Kau Du | 16,496,040 | 14,613,035 |
| Nan Du | 14,464,154 | 12,889,691 |
| Others | 2,601,809 | 2,283,547 |
| -Subsidiaries | 6,340,455 | 4,314,793 |
| -Entities controlled by key management | - | 587 |
| | <u>\$ 125,039,902</u> | <u>\$ 107,555,904</u> |

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

| <u>Years ended December 31,</u> | |
|---------------------------------|-------------|
| <u>2019</u> | <u>2018</u> |

(b) Service revenue:

Service sales:

| | | | | |
|-------------------------------|----|------------------|----|------------------|
| -Associates | \$ | 3,235 | \$ | 3,313 |
| -Subsidiaries | | | | |
| Chang Yuan | | 1,419,432 | | 1,258,892 |
| Others | | 44 | | 30 |
| Contracted operating revenue: | | | | |
| -Associates | | <u>15,814</u> | | <u>19,167</u> |
| | \$ | <u>1,438,525</u> | \$ | <u>1,281,402</u> |

Years ended December 31,

2019 2018

(c) Interest income:

| | | | | |
|---------------|----|---------------|----|---------------|
| -Associates | | | | |
| Central Motor | \$ | 11,391 | \$ | 10,175 |
| Tau Miao | | 10,430 | | 9,284 |
| Kuotu | | 8,989 | | 6,965 |
| Taipei Motor | | 8,538 | | 7,691 |
| Others | | 15,496 | | 13,836 |
| -Subsidiaries | | <u>2,008</u> | | <u>1,389</u> |
| | \$ | <u>56,852</u> | \$ | <u>49,340</u> |

Interest income is interest between transaction dates and collection dates due to the collection of sales transaction is based on agreed collection period. Starting from July 3, 2016, the annual interest rate was adjusted to 2.275%.

Years ended December 31,

2019 2018

(d) Rental revenue:

| | | | | |
|--|----|----------------|----|----------------|
| -Associates | | | | |
| Kuotu | \$ | 77,862 | \$ | 84,183 |
| Others | | 26,582 | | 30,795 |
| -Subsidiaries | | | | |
| Chang Yuan | | 71,558 | | 67,867 |
| Others | | 31,975 | | 33,351 |
| -Entities controlled by key management | | <u>3,352</u> | | <u>3,615</u> |
| | \$ | <u>211,329</u> | \$ | <u>219,811</u> |

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

| | <u>Years ended December 31,</u> | |
|---|---------------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| (e) Warranty revenue (shown as deductions to warranty costs): | | |
| -Associates | | |
| Kuozui | \$ 192,830 | \$ 164,505 |
| -Subsidiaries | 20,352 | 14,682 |
| -Entities controlled by key management | | |
| TMAP | 605,492 | 686,925 |
| Others | 2,095 | 2,221 |
| | <u>\$ 820,769</u> | <u>\$ 868,333</u> |
| | | |
| | <u>Years ended December 31,</u> | |
| | <u>2019</u> | <u>2018</u> |
| (f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense): | | |
| -Associates | | |
| Kuotu | \$ 81,360 | \$ 70,654 |
| Others | 122,537 | 113,350 |
| -Subsidiaries | | |
| Carmax | 32,992 | - |
| Others | 5,616 | 16,167 |
| -Entities controlled by key management | | |
| TMC | 59,353 | 74,157 |
| Others | 6,096 | 6,688 |
| | <u>\$ 307,954</u> | <u>\$ 281,016</u> |
| | | |
| | <u>Years ended December 31,</u> | |
| | <u>2019</u> | <u>2018</u> |
| (g) Miscellaneous income: | | |
| -Associates | | |
| Kuotu | \$ 93,894 | \$ 105,219 |
| Kuozui | 73,509 | 80,165 |
| Others | 81,745 | 81,047 |
| -Subsidiaries | | |
| Chang Yuan | 123,650 | 127,551 |
| Others | 159,716 | 126,475 |
| -Entities controlled by key management | 40,432 | 32,404 |
| | <u>\$ 572,946</u> | <u>\$ 552,861</u> |

B. Expenditures

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|----------------------|
| | <u>2019</u> | <u>2018</u> |
| (a) Purchase of goods: | | |
| -Associates | | |
| Kuozui | \$ 32,390,170 | \$ 35,215,454 |
| Others | 839,000 | 756,633 |
| -Subsidiaries | 2,141,245 | 1,509,082 |
| -Entities controlled by key management | | |
| TMC | 50,513,418 | 35,713,057 |
| Others | <u>5,559,350</u> | <u>6,421,674</u> |
| | <u>\$ 91,483,183</u> | <u>\$ 79,615,900</u> |

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

| | <u>Years ended December 31,</u> | |
|--|---------------------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| (b) Rental expense: | | |
| -Associates | | |
| Kuozui | \$ 5,897 | \$ 5,926 |
| Others | - | 137 |
| -Subsidiaries | | |
| Hotai Leasing | 16,219 | 17,754 |
| Others | 1,301 | 1,325 |
| -Entities controlled by key management | <u>137</u> | <u>138</u> |
| | <u>\$ 23,554</u> | <u>\$ 25,280</u> |

The Company entered into the lease agreement with related parties based on the market price and the rental expense is paid on a monthly basis according to the agreement.

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | 2019 | 2018 |
| (c) Warranty cost: | | |
| -Associates | | |
| Central Motor | \$ 144,688 | \$ 160,103 |
| Tau Miao | 113,318 | 145,188 |
| Kuotu | 102,509 | 135,570 |
| Kau Du | 81,584 | 100,854 |
| Nan Du | 81,521 | 100,884 |
| Others | 85,757 | 101,451 |
| -Subsidiaries | | |
| Chang Yuan | 154,810 | 100,302 |
| Others | 9,851 | 13,141 |
| -Entities controlled by key management | 632 | - |
| | <u>\$ 774,670</u> | <u>\$ 857,493</u> |

| | Years ended December 31, | |
|--|--------------------------|-------------------|
| | 2019 | 2018 |
| (d) Advertisement expense: | | |
| -Associates | \$ 49,396 | \$ 67,818 |
| -Subsidiaries | 56,400 | 27,531 |
| -Entities controlled by key management | 22,388 | 9,101 |
| | <u>\$ 128,184</u> | <u>\$ 104,450</u> |

C. Receivables from (payables to) related parties

| | December 31, | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| (a) Receivables from related parties: | | |
| -Associates | | |
| Central Motor | \$ 448,873 | \$ 439,220 |
| Tau Miao | 340,243 | 356,004 |
| Taipei Motor | 324,251 | 350,691 |
| Kau Du | 264,540 | 293,586 |
| Kuoto | 255,694 | 489,181 |
| Nan Du | 248,266 | 251,383 |
| Others | 38,843 | 53,742 |
| -Subsidiaries | 288,382 | 421,210 |
| -Entities controlled by key management | - | 61 |
| | <u>\$ 2,209,092</u> | <u>\$ 2,655,078</u> |

| | December 31, | |
|---|-------------------|-------------------|
| | 2019 | 2018 |
| (b) Other receivables from related parties: | | |
| -Associates | \$ 131,978 | \$ 361,750 |
| -Subsidiaries | 45,927 | 36,973 |
| -Entities controlled by key management | <u>630</u> | <u>937</u> |
| | <u>\$ 178,535</u> | <u>\$ 399,660</u> |

| | December 31, | |
|--|---------------------|---------------------|
| | 2019 | 2018 |
| (c) Payables to related parties: | | |
| -Associates | | |
| Kuozui | \$ 1,137,609 | \$ 343,572 |
| Others | 94,245 | 97,003 |
| -Subsidiaries | 250,292 | 293,693 |
| -Entities controlled by key management | | |
| TMC | 4,786,371 | 3,942,992 |
| TMAP | 254,522 | 961,284 |
| Others | <u>79,971</u> | <u>24,548</u> |
| | <u>\$ 6,603,010</u> | <u>\$ 5,663,092</u> |

| | December 31, | |
|--|-------------------|-------------------|
| | 2019 | 2018 |
| (d) Other payables | | |
| -Associates | \$ 497,428 | \$ 500,327 |
| -Subsidiaries | 72,167 | 80,069 |
| -Entities controlled by key management | <u>123</u> | <u>2,056</u> |
| | <u>\$ 569,718</u> | <u>\$ 582,452</u> |

(3) Endorsements and guarantees provided to related parties:

| | December 31, | |
|---------------|------------------|--------------------|
| | 2019 | 2018 |
| -Subsidiaries | <u>USD 1,500</u> | <u>USD 26,500</u> |
| | <u>TWD -</u> | <u>TWD 921,674</u> |

(4) Key management remuneration

| | Years ended December 31, | |
|---|--------------------------|-------------------|
| | 2019 | 2018 |
| Salaries and other short-term employee benefits | <u>\$ 347,297</u> | <u>\$ 308,662</u> |
| Post-employment benefits | <u>\$ 2,700</u> | <u>\$ -</u> |

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) In November 2018, the Company signed a contract with GuoGong Construction Company which was commissioned to a \$519,761 project to build a pre-delivery inspection center in Yangmei logistics center on an owner-occupied land. As of March 26, 2020, the outstanding payments amounted to \$155,928.

(2) Details of operating lease agreements are shown in Notes 6(9) and 6(26).

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

For the appropriation of retained earnings of 2019, please refer to Note 6(18).

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

| | <u>December 31,</u> | |
|---|----------------------|----------------------|
| | <u>2019</u> | <u>2018</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 | \$ 500,000 | \$ 504,171 |
| Financial assets at fair value through other comprehensive income | | |
| Equity instrument | 7,804,554 | 6,563,424 |
| Cash and cash equivalents | 1,028,230 | 131,976 |
| Notes receivable (including related parties) | 8,679 | 7,842 |
| Accounts receivable (including related parties) | 2,244,364 | 2,688,343 |
| Other receivables | 589,829 | 766,672 |
| Guarantee deposits paid (shown as “other non-current assets”) | 80,873 | 39,462 |
| | <u>\$ 12,256,529</u> | <u>\$ 10,701,890</u> |
| <u>Financial liabilities</u> | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities mandatorily measured at fair value through profit or loss | \$ 149,572 | \$ 19,047 |
| Financial liabilities at amortized cost | | |
| Short-term loans | 1,951,407 | 1,880,814 |
| Accounts payable (including related parties) | 8,317,056 | 8,302,301 |
| Other payables | 2,514,857 | 2,637,685 |
| Guarantee deposits received (shown as “other non-current liabilities”) | 748 | 751 |
| | <u>\$ 12,933,640</u> | <u>\$ 12,840,598</u> |
| Lease liability | <u>\$ 7,333</u> | <u>\$ -</u> |

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Management has set up a policy to require management of foreign exchange risk against its functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the finance department. To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Company enters into forward exchange contracts, through finance department. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.
- ii. The Company's businesses involve some non-functional currency operations (the functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

| | | December 31, 2018 | | |
|---|-----|---|------------------|---------------------|
| | | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | | |
| <u>Financial assets</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 114 | 30.7150 | \$ 3,489 |
| JPY:NTD | JPY | 24,069 | 0.2782 | 6,696 |
| <u>Financial liabilities</u> | | | | |
| <u>Monetary items</u> | | | | |
| USD:NTD | USD | 184,184 | 30.7150 | \$ 5,657,198 |
| JPY:NTD | JPY | 19,870 | 0.2782 | 5,528 |

iii. The total exchange gain (loss), including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018, amounted to \$439,563 and \$199,129 respectively.

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

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

| | Year ended December 31, 2018 | | |
|--|------------------------------|---------------------------------|---|
| | Sensitivity analysis | | |
| | <u>Degree of variation</u> | <u>Effect on profit or loss</u> | <u>Effect on other comprehensive income</u> |
| (Foreign currency: functional currency) | | | |
| <u>Financial assets</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | \$ 35 | \$ - |
| JPY:NTD | 1% | 67 | - |
| <u>Financial liabilities</u> | | | |
| <u>Monetary items</u> | | | |
| USD:NTD | 1% | 56,572 | - |
| JPY:NTD | 1% | 55 | - |

Price risk

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

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company establishes its credit risk management. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit

rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.

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

(c) Liquidity risk

- i. Cash flow forecasting is performed in the Company's finance department. Finance department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

| <u>December 31, 2018</u> | <u>Up to 1 year</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> |
|--------------------------|---------------------|---------------------|---------------------|
| Short-term loans | \$ 1,880,814 | \$ - | \$ - |
| Accounts payable | 8,302,301 | - | - |
| Other payables | 2,637,685 | - | - |

(3) Fair value information

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

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

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

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

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

C. Financial instruments not measured at fair value

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

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

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

| <u>December 31, 2019</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|-------------------|-------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Bond investment | \$ - | \$ 500,000 | \$ - | \$ 500,000 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>7,524,278</u> | <u>-</u> | <u>280,276</u> | <u>7,804,554</u> |
| | <u>\$ 7,524,278</u> | <u>\$ 500,000</u> | <u>\$ 280,276</u> | <u>\$ 8,304,554</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 149,572</u> | <u>\$ -</u> | <u>\$ 149,572</u> |

| <u>December 31, 2018</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|-------------------|-------------------|---------------------|
| Assets | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Bond investment | \$ - | \$ 500,000 | \$ - | \$ 500,000 |
| Forward exchange contracts | - | 4,171 | - | 4,171 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | <u>6,311,910</u> | <u>-</u> | <u>251,514</u> | <u>6,563,424</u> |
| | <u>\$ 6,311,910</u> | <u>\$ 504,171</u> | <u>\$ 251,514</u> | <u>\$ 7,067,595</u> |
| Liabilities | | | | |
| <u>Recurring fair value measurements</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward exchange contracts | <u>\$ -</u> | <u>\$ 19,047</u> | <u>\$ -</u> | <u>\$ 19,047</u> |

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

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

| | <u>Listed stocks</u> | <u>Open-end fund</u> |
|---------------------|----------------------|----------------------|
| Market quoted price | Closing price | Net asset value |

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the parent company only balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- (d) The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

F. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

G. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

| | <u>Years ended December 31,</u> | |
|---|--|--|
| | <u>2019</u> | <u>2018</u> |
| At January 1 | <u>Equity securities</u> \$ 251,514 | <u>Equity securities</u> \$ 243,265 |
| Recorded as unrealized gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income | <u>28,762</u> | <u>8,249</u> |
| At December 31 | <u>\$ 280,276</u> | <u>\$ 251,514</u> |

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

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

| | <u>Fair value at December 31, 2019</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
|-----------------------------------|--|--|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 280,276 | Asset liability method, Market comparable companies method | Net asset value, price to earnings ratio multiple | - | The higher the multiple and control premium, the higher the fair value. |
| | <u>Fair value at December 31, 2018</u> | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range (weighted average)</u> | <u>Relationship of inputs to fair value</u> |
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | \$ 251,514 | Asset liability method, Market comparable companies method | Net asset value, price to earnings ratio multiple | - | The higher the multiple and control premium, the higher the fair value. |

J. The Company has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%,

other comprehensive income would not have been significantly impacted as of December 31, 2019 and 2018.

13. SUPPLEMENTARY DISCLOSURES

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

A. Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of December 31, 2019:

| Company Name | Derivative Instruments | Contract Amount (in thousands) | Maturity Date | Book Value | Fair Value |
|-------------------------------------|---------------------------------|--------------------------------|---------------------|--------------|--------------|
| Ho Tai Motor Co., Ltd. | Forward exchange contracts | USD 404,846 | 2020/1/7~2020/5/14 | (\$ 149,572) | (\$ 149,572) |
| Hotai Insurance Co., Ltd. | Foreign exchange swap contracts | USD 21,950 | 2020/1/6~2020/3/2 | 9,346 | 9,346 |
| Hotai Finance Co., Ltd. | Cross currency swaps | USD 200,000 | 2020/3/13~2021/9/17 | (36,509) | (36,509) |
| Hoyun International Lease Co., Ltd. | Cross currency swaps | USD 18,000 | 2021/6/18 | 5,349 | 5,349 |

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

B. Information on investees

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

C. Information on investments in Mainland China

- (a) Basic information: Please refer to table 10.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

- i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
- ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- iii. The amount of property transactions and the amount of the resulting gains or losses: None.
- iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
- v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.
- vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

14. SEGMENT INFORMATION

Not applicable.

Ho Tai Motor Co., Ltd.
Loans to others
Year ended December 31, 2019
(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 year ended December 31, 2019 | Balance at December 31, 2019 | 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 Hoyu Motor Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | Other receivables | Y | \$ 206,388 | \$ 193,198 | \$ 21,466 | 2.15% | Short-term financing | - | Operations | \$ - | None | \$ - | \$ 289,942 | \$ 289,942 | Note 2 | |
| 2 | Shanghai Heling Motor Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 412,777 | 386,396 | 72,986 | 2.15% | " | - | " | - | " | - | 609,951 | 609,951 | Note 2 | |
| 3 | Shanghai Hozhan Motor Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 137,592 | 128,799 | - | 2.15% | " | - | " | - | " | - | 165,023 | 165,023 | Note 2 | |
| 4 | Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 169,697 | 158,851 | 111,196 | 2.15% | " | - | " | - | " | - | 434,459 | 434,459 | Note 2 | |
| 5 | Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 299,185 | 279,063 | 191,480 | 2.15% | " | - | " | - | " | - | 392,874 | 392,874 | Note 2 | |
| 6 | Tianjin Ho-Yu Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 91,728 | 85,866 | 18,032 | 2.15% | " | - | " | - | " | - | 179,359 | 179,359 | Note 2 | |
| 7 | Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 238,493 | 223,251 | 114,201 | 2.15% | " | - | " | - | " | - | 311,690 | 311,690 | Note 2 | |
| 8 | Nanchang Heling Lexus Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 238,493 | 223,251 | 130,086 | 2.15% | " | - | " | - | " | - | 340,740 | 340,740 | Note 2 | |
| 9 | Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 115,071 | 107,332 | 37,352 | 2.15% | " | - | " | - | " | - | 210,222 | 210,222 | Note 2 | |
| 10 | Tianjin Hozhan Motor Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 137,592 | 128,799 | 85,866 | 2.15% | " | - | " | - | " | - | 272,257 | 272,257 | Note 2 | |
| 11 | Tianjin Heling Lexus Motor Sales & Service Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 206,388 | 193,198 | 117,207 | 2.15% | " | - | " | - | " | - | 408,518 | 408,518 | Note 2 | |
| 12 | Shanghai Ho-Mian Motor Technology Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 596,233 | 558,127 | - | 2.15% | " | - | " | - | " | - | 974,614 | 974,614 | Note 2 | |
| 13 | Shanghai Guangxin Cultural Media Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 5,984 | 5,152 | - | 2.15% | " | - | " | - | " | - | 8,782 | 8,782 | Note 2 | |
| 14 | Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 91,728 | 85,866 | 51,949 | 2.15% | " | - | " | - | " | - | 152,862 | 152,862 | Note 2 | |
| 15 | Shanghai Hoxin Motor Service Consulting Co.,Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 3,669 | 3,435 | - | 2.15% | " | - | " | - | " | - | 4,525 | 4,525 | Note 2 | |
| 16 | Tianjin Heyi International Trading Co., Ltd. | Hotong Motor Investment Co., Ltd. | " | " | 22,015 | 20,608 | - | 2.15% | " | - | " | - | " | - | 87,125 | 87,125 | Note 2 | |
| 17 | ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd | Hotong Motor Investment Co., Ltd. | " | " | 10,090 | 9,445 | - | 2.15% | " | - | " | - | " | - | 42,382 | 42,382 | Note 2 | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Hozhan Motor Service Co., Ltd. | " | " | 128,419 | 120,212 | 75,304 | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Nanchang Heling Lexus Motors Sales & Service Co., Ltd. | " | " | 192,629 | 180,318 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Tianjin Ho-Yu Motor Sales & Service Co., Ltd. | " | " | 160,524 | 150,265 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Tianjin Hozhan Motor Service Co., Ltd. | " | " | 128,419 | 120,212 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Hoyu Motor Service Co., Ltd. | " | " | 146,765 | 137,385 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Heling Motor Service Co., Ltd. | " | " | 481,573 | 450,795 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | " | " | 399,017 | 373,516 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | " | " | 299,185 | 279,063 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd. | " | " | 128,419 | 120,212 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Tianjin Heling Lexus Motor Sales & Service Co., Ltd. | " | " | 307,289 | 287,650 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. | " | " | 23,014 | 21,466 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. | " | " | 197,216 | 184,611 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 | |

| Number | Creditor | Borrower | General ledger account | Related party | Maximum outstanding balance during the year ended December 31, 2019 | Balance at December 31, 2019 | 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 | | | |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Ho-Mian Motor Technology Co., Ltd. | Other receivables | Y | \$ 138,085 | \$ 128,799 | \$ 28,808 | 3.35% | Short-term financing | - | Operations | \$ - | None | \$ - | \$ 5,673,713 | \$ 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai HoChen Motor Technology Co., Ltd. | " | " | 268,763 | 251,586 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Guangxin Cultural Media Co., Ltd. | " | " | 4,586 | 4,293 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | Shanghai Hoxin Motor Service Consulting Co.,Ltd. | " | " | 4,586 | 4,293 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | Tianjin Heyi International Trading Co., Ltd. | " | " | 91,728 | 85,866 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd | " | " | 22,932 | 21,466 | - | 3.35% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 18 | Hotong Motor Investment Co., Ltd. | Hoyun International Lease Co., Ltd. | " | " | 230,142 | - | - | 3.85% | " | - | " | - | " | - | 5,673,713 | 11,347,425 | Note 3 |
| 19 | Hoyun International Lease Co., Ltd. | Hoyun (Shanghai) Commerical Factoring Co., Ltd. | " | " | 223,681 | - | - | 5.44% | " | - | " | - | " | - | 3,280,049 | 6,560,098 | Note 4 |

Note 1: The limit on total loans to others is no more than 20% of the Company's total equity; the limit on loans to any single entity is no more than 10% of the Company's total equity.

Note 2: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 100% of the creditor's net value.

Note 3: 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 4: For Hoyun International Lease Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by Hotai Finance Co., Ltd. is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2019

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

Table 2

| Number | Endorser/ guarantor | Party being endorsed/guaranteed Company name | Relationship with the endorser/guarantor | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 | Outstanding endorsement/ guarantee amount at December 31, 2019 | 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 |
|--------|--------------------------------------|---|---|---|---|---|-----------------------------|--|--|--|---|---|--|----------|
| | | | | | | | | | | | | | | |
| 0 | Ho Tai Motor Co., Ltd. | Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. | Note 5.b | \$ 17,559,561 | \$ 47,400 | \$ 44,970 | \$ - | \$ - | 0.08% | \$ 29,265,936 | Y | N | Y | Note 1 |
| 0 | Ho Tai Motor Co., Ltd. | Tianjin Hozhan Motor Service Co., Ltd. | " | 17,559,561 | 142,200 | - | - | - | 0.00% | 29,265,936 | Y | N | Y | " |
| 0 | Ho Tai Motor Co., Ltd. | Shanghai Hozhan Motor Service Co., Ltd. | " | 17,559,561 | 142,200 | - | - | - | 0.00% | 29,265,936 | Y | N | Y | " |
| 0 | Ho Tai Motor Co., Ltd. | Shanghai Hoyu Motor Service Co., Ltd. | " | 17,559,561 | 173,800 | - | - | - | 0.00% | 29,265,936 | Y | N | Y | " |
| 0 | Ho Tai Motor Co., Ltd. | Tianjin Ho-Yu Motor Sales & Service Co., Ltd. | " | 17,559,561 | 189,600 | - | - | - | 0.00% | 29,265,936 | Y | N | Y | " |
| 0 | Ho Tai Motor Co., Ltd. | Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd. | " | 17,559,561 | 142,200 | - | - | - | 0.00% | 29,265,936 | Y | N | Y | " |
| 1 | Hotai Finance Co., Ltd. | Hoyun International Lease Co., Ltd. | " | 20,470,639 | 3,682,274 | 3,434,627 | 1,337,787 | - | 16.78% | 20,470,639 | Y | N | Y | Note 2 |
| 1 | Hotai Finance Co., Ltd. | Hoyun (Shanghai) Commerical Factoring Co., Ltd. | " | 20,470,639 | 522,077 | 321,631 | 219,141 | - | 1.57% | 20,470,639 | Y | N | Y | " |
| 2 | Toyota Material Handling Taiwan Ltd. | Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd. | " | 293,252 | 31,600 | 29,980 | - | - | 3.07% | 488,753 | Y | N | Y | Note 3 |
| 3 | Hotai Leasing Co., Ltd. | Hoing Mobility Service Corporation | " | 2,848,089 | 1,600,000 | 1,600,000 | 930,000 | - | 42.13% | 3,037,962 | Y | N | N | Note 4 |

Note 1 : The limit on total endorsement is no more than 50% of the Company's total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 2 : For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of its total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity. Net assets value is based on the amount included in the latest filing of financial statements and report of independent accounts.

Note 3 : For Toyota Material Handling Taiwan Ltd., the limited on total endorsement is no more than 50% of its total equity; the limit on endorsement for any single entity is no more than 30% of the Company's total equity.

Note 4 : For Hotai Leasing Co., Ltd., the limit on total endorsement is no more than 80% of the company's total equity; the limit on endorsement for any single entity is no more than 75% of the Company's total equity.

Note 5 : Relationship between the endorser/guarantor:

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

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

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

| Securities held by | Type and name of securities | Relationship with the securities issuer | General ledger account | As of December 31, 2019 | | | | Footnote |
|--------------------------------------|--|---|---|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| Ho Tai Motor Co., Ltd. | Stock - Mega Financial Holding Company | None | Financial assets at fair value through other comprehensive income - non-current | 20,617,157 | \$ 630,885 | 0.15% | \$ 630,885 | |
| | - Toyota Motor Corporation | - | " | 3,191,200 | 6,794,269 | 0.10% | 6,794,269 | |
| | - Shihlin Electric & Engineering Corporation Etc. | None | " | - | 99,124 | 0.00%~0.42% | 99,124 | |
| | Taian Insurance Co., Ltd. Etc. | - | " | - | 280,276 | 0.42%~3.10% | 280,276 | |
| | Nan Shan Life Insurance Perpetual Subordinated Bonds | None | Financial assets at fair value through profit or loss - non-current | - | 500,000 | - | 500,000 | |
| | | | Valuation adjustment of financial assets | | - | | - | |
| | | | Total | | \$ 500,000 | | \$ 500,000 | |
| Hoan Investment Co., Ltd. | Ho An Insurance Agency Co., Ltd. Etc. | - | Financial assets at fair value through other comprehensive income - non-current | - | \$ 2,982 | 0.50% | \$ 2,982 | |
| | Beneficiary certificates | Not applicable | Financial assets at fair value through profit or loss - current | 29,391,924 | \$ 305,000 | - | \$ 305,062 | |
| | - Franklin Templeton Sinoam Money Market Fund | | | | | | | |
| | - Prudential Financial Money Market Fund | " | " | 22,482,807 | \$ 357,000 | - | \$ 357,065 | |
| | | | Valuation adjustment of financial assets | | \$ 127 | | | |
| | | | Total | | \$ 662,127 | | \$ 662,127 | |
| Toyota Material Handling Taiwan Ltd. | Beneficiary certificates | | | 46,595,533 | \$ 476,728 | - | \$ 483,620 | |
| | - Franklin Templeton Sinoam Money Market Fund | Not applicable | Financial assets at fair value through profit or loss - current | | | | | |
| | | | Valuation adjustment of financial assets | | 6,892 | | - | |
| | | | Total | | \$ 483,620 | | \$ 483,620 | |
| Carmax Co., Ltd. | Ho An Insurance Agency Co., Ltd. Etc. | - | Financial assets at fair value through other comprehensive income - non-current | - | \$ 3,203 | 0.01%~0.50% | \$ 3,203 | |
| | Beneficiary certificates | | | 11,642,842 | 120,000 | - | 120,842 | |
| | - Franklin Templeton Sinoam Money Market Fund | Not applicable | Financial assets at fair value through profit or loss - current | | | | | |
| | - CTBC Hwa-win Money Market Fund | " | " | 9,073,865 | 100,220 | - | 100,377 | |
| | | | Valuation adjustment of financial assets | | 999 | | - | |
| | | | Total | | \$ 221,219 | | \$ 221,219 | |
| Ho Tai Development Co., Ltd. | Stock - First Financial Holding Co. Ltd. Etc. | - | Financial assets at fair value through other comprehensive income - non-current | - | \$ 1,436 | - | \$ 1,436 | |
| | Ho An Insurance Agency Co., Ltd. Etc. | - | " | - | 3,203 | 0.01%~0.51% | 3,203 | |
| | President securities Corp-PGNW0085 | Not applicable | Financial assets at fair value through profit or loss - current | - | 190,543 | - | 190,936 | |
| | | | Valuation adjustment of financial assets | | 393 | | - | |
| | | | Total | | \$ 190,936 | | \$ 190,936 | |
| Ho Tai Service & Marketing Co., Ltd | Bestaiwan Co., Ltd. | None | Financial assets at fair value through other comprehensive income - non-current | 11,974 | \$ - | 0.11% | \$ - | |
| | Beneficiary certificates | | | 2,527,891 | 30,000 | - | 30,378 | |
| | - BOT Money Market Fund | Not applicable | Financial assets at fair value through profit or loss - current | | | | | |
| | | | Valuation adjustment of financial assets | | 378 | | | |
| | | | Total | | \$ 30,378 | | \$ 30,378 | |
| Hotai Finance Co., Ltd. | Ho An Insurance Agency Co., Ltd. Etc. | - | Financial assets at fair value through other comprehensive income - non-current | - | \$ 2,982 | 0.50% | \$ 2,982 | |
| Hotai Leasing Co., Ltd. | Ho An Insurance Agency Co., Ltd. Etc. | - | " | - | 2,982 | 0.50% | 2,982 | |
| Ho Tai Cyber Connection Co., Ltd | Beneficiary certificates | Not applicable | Financial assets at fair value through profit or loss - current | 3,025,660 | \$ 31,000 | - | \$ 31,404 | |
| | - Franklin Templeton Sinoam Money Market Fund | | | | | | | |
| | | | Valuation adjustment of financial assets | | 404 | | - | |
| | | | Total | | \$ 31,404 | | \$ 31,404 | |

| Securities held by | Type and name of securities | Relationship with the securities issuer | General ledger account | As of December 31, 2019 | | | | Footnote |
|---|---|---|---|-------------------------|------------|---------------|------------|----------|
| | | | | Number of shares | Book value | Ownership (%) | Fair value | |
| Hotai Innovation marketing corporation | Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund | Not applicable | Financial assets at fair value through profit or loss - non-current | 4,827,821 | \$ 50,000 | - | \$ 50,108 | |
| | | | Valuation adjustment of financial assets | | 108 | | - | |
| | | | Total | | \$ 50,108 | | \$ 50,108 | |
| 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 | - | \$ 22,939 | 10.48% | \$ 22,939 | |

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
Year ended December 31, 2019

(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, 2019 | | Addition | | Disposal | | | Balance as at December 31, 2019 | | |
|------------------------------|---|---|---|--------------------------------|-------------------------------|------------|------------------|------------|------------------|---------------|------------|---------------------------------|------------------|------------|
| | | | | | 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 Development Co., Ltd. | President Securities Corp.-PGNW0085 | Financial assets at fair value through profit or loss - current | Not applicable | Not applicable | - | \$ 95,943 | - | \$ 728,331 | - | \$ 636,073 | \$ 633,731 | \$ 2,342 | - | \$ 190,543 |
| Hoan Investment Co., Ltd. | Franklin Templeton Sinoam Money Market Fund | Financial assets at fair value through profit or loss - current | Not applicable | Not applicable | 10,886,345 | \$ 112,140 | 32,290,447 | \$ 335,000 | 13,784,868 | \$ 142,724 | \$ 142,140 | \$ 584 | 29,391,924 | \$ 305,000 |
| Hoan Investment Co., Ltd. | Prudential Financial Money Market Fund | Financial assets at fair value through profit or loss - current | Not applicable | Not applicable | - | \$ - | 22,482,807 | \$ 357,000 | - | \$ - | \$ - | \$ - | 22,482,807 | \$ 357,000 |
| Ho Tai Motor Co., Ltd. | Shanghai Ho-Yu (BVI) Investment Co., Ltd. | Investments accounted for using equity method | Shanghai Ho-Yu (BVI) Investment Co., Ltd. | Subsidiary | - | \$ - | - | \$ - | - | \$ - | \$ - | \$ - | - | \$ - |

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

Ho Tai Motor Co., Ltd.

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Year ended December 31, 2019

(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 | Prior transaction of related counterparty | | | | Basis or reference used in setting the price | Reason for acquisition of real estate and status of the real estate | Other commitments |
|--------------------------------------|--|-------------------|--------------------|-------------------|-------------------------------|------------------------------------|---|--------------|---------------|--------|---|---|-------------------|
| | | | | | | | Owner | Relationship | Transfer date | Amount | | | |
| Ho Tai Service & Marketing Co., Ltd. | No. 24, 34 and 34-1, Peipo Section, Tucheng Dist., New Taipei City | 2019.8.2 | \$540,000 | \$540,000 | Three Shine Trading Co., Ltd. | The third party | - | - | - | - | Evaluated by professional appraisal institute and active market price | Operation purpose | None |

Note 1: The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Year ended December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | | Percentage of total purchases (sales) | Transaction | Differences in transaction terms | | Notes/accounts receivable (payable) | | Footnote |
|----------------------------|---------------------------------------|---|-------------------|---------------|---------------------------------------|---|----------------------------------|----------------|-------------------------------------|---|----------|
| | | | Sales | Amount | | | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | |
| Ho Tai Motor Co., Ltd. | Central Motor Co., Ltd. | Associates | Sales | \$ 24,687,620 | 20% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | Normal | Normal | \$ 448,873 | 20% | |
| Ho Tai Motor Co., Ltd. | Tau Miau Motor Co., Ltd. | " | " | 22,529,225 | 18% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 340,243 | 15% | |
| Ho Tai Motor Co., Ltd. | Kuotu Motor Co., Ltd. | " | " | 19,528,719 | 16% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 255,694 | 12% | |
| Ho Tai Motor Co., Ltd. | Taipei Toyota Motor Co., Ltd. | " | " | 18,390,880 | 15% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 324,251 | 15% | |
| Ho Tai Motor Co., Ltd. | Kau Du Automobile Co., Ltd. | " | " | 16,496,040 | 13% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 264,540 | 12% | |
| Ho Tai Motor Co., Ltd. | Nan Du Motor Co., Ltd. | " | " | 14,464,154 | 12% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 248,266 | 11% | |
| Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | Subsidiary | " | 2,663,928 | 2% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | Not applicable | " | 181,879 | 8% | |
| Ho Tai Motor Co., Ltd. | Lang Yang Toyota Motor Co., Ltd. | Associates | " | 2,576,511 | 2% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | Normal | " | 36,973 | 2% | |
| Ho Tai Motor Co., Ltd. | Eastern Motor Co., Ltd. | Subsidiary | " | 2,187,417 | 2% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | 41,472 | 2% | |
| Ho Tai Motor Co., Ltd. | Hotai Leasing Co., Ltd. | " | " | 1,015,101 | 1% | Collection at sight | " | " | 51,183 | 2% | |
| Ho Tai Motor Co., Ltd. | Hoing Mobility Service Corporation | " | " | 512,354 | - | Collection at sight | " | " | - | - | |
| Ho Tai Motor Co., Ltd. | Carmax Co., Ltd. | " | " | 124,227 | - | Collection at sight | " | " | 12,919 | 1% | |
| Ho Tai Motor Co., Ltd. | Toyota Motor Corporation | Entity controlled by the Company's key management | Purchases | 50,513,418 | 43% | Closes its accounts 15 days after the end of each month | Not applicable | " | (4,786,371) | 58% | |
| Ho Tai Motor Co., Ltd. | Kuozui Motors, Ltd. | Associates | " | 32,390,170 | 28% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | (1,137,609) | 14% | |
| Ho Tai Motor Co., Ltd. | Toyota Motor Asia Pacific Pte Ltd. | Entity controlled by the Company's key management | " | 3,104,647 | 3% | Closes its accounts 15 days after the end of each month | " | " | (254,522) | 3% | |
| Ho Tai Motor Co., Ltd. | Carmax Co., Ltd. | Subsidiary | " | 2,139,978 | 2% | Closes its accounts 16 days after the end of each month | " | " | (250,172) | 3% | |
| Ho Tai Motor Co., Ltd. | Toyota Motor Europe - NV/SA | Entity controlled by the Company's key management | " | 1,951,519 | 2% | Closes its accounts 15 days after the end of each month | " | " | (41,134) | - | |
| Ho Tai Motor Co., Ltd. | Yokohama Tire Taiwan Co., Ltd. | Associates | " | 828,352 | 1% | Closes its accounts 16 days after the end of each month | " | " | (93,426) | 1% | |
| Ho Tai Motor Co., Ltd. | Hino Motors, Ltd. | Entity controlled by the Company's key management | " | 313,764 | - | Closes its accounts 15 days after the end of each month | " | " | (1,263) | - | |
| Ho Tai Motor Co., Ltd. | Toyota Motor Sales-USA | " | " | 152,573 | - | Closes its accounts 15 days after the end of each month | " | " | - | - | |
| Chang Yuan Motor Co., Ltd. | Hozao Enterprise Co., Ltd. | Associates | Sales | 640,044 | 4% | 14 days after invoice date | Normal | " | 31,054 | 2% | |
| Chang Yuan Motor Co., Ltd. | Hotai Leasing Co., Ltd. | " | " | 484,796 | 3% | Collection at sight | " | " | - | - | |
| Chang Yuan Motor Co., Ltd. | Lang Yang Toyota Motor Co., Ltd. | " | " | 213,172 | 1% | 7 days after invoice date | " | " | 11,991 | 1% | |
| Chang Yuan Motor Co., Ltd. | Kuozui Motors, Ltd. | " | " | 10,235,502 | 73% | 7 days after invoice date | Not applicable | Not applicable | (54,301) | 13% | |
| Chang Yuan Motor Co., Ltd. | Ho Tai Motor Co., Ltd. | Ultimate parent company | " | 2,663,928 | 19% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | (181,879) | 42% | |
| Carmax Co., Ltd. | Ho Tai Motor Co., Ltd. | " | " | 2,139,978 | 32% | Closes its accounts 16 days after the end of each month | Normal | Normal | 250,172 | 22% | |
| Carmax Co., Ltd. | Kuozui Motors, Ltd. | Associates | " | 612,671 | 9% | Closes its accounts 10 days after the end of each month | " | " | 144,901 | 13% | |
| Carmax Co., Ltd. | Zhongyang Motor Co., Ltd. | " | " | 553,305 | 8% | Closes its accounts 35 days after the end of each month | " | " | 126,401 | 11% | |
| Carmax Co., Ltd. | Wang Fu Co., Ltd. | " | " | 499,035 | 8% | Closes its accounts 35 days after the end of each month | " | " | 102,875 | 9% | |
| Carmax Co., Ltd. | Innovation AUTO Parts Co., Ltd. | " | " | 443,681 | 7% | Closes its accounts 25 days after the end of each month | " | " | 76,721 | 7% | |
| Carmax Co., Ltd. | Nan I Motor Co., Ltd. | " | " | 340,014 | 5% | Closes its accounts 40 days after the end of each month | " | " | 77,135 | 7% | |
| Carmax Co., Ltd. | Chang Guan Logistics Co., Ltd. | " | " | 290,584 | 4% | Closes its accounts 40 days after the end of each month | " | " | 64,797 | 6% | |
| Carmax Co., Ltd. | Tung Yu Motor Co., Ltd. | " | " | 245,099 | 4% | Closes its accounts 40 days after the end of each month | " | " | 62,141 | 6% | |
| Carmax Co., Ltd. | Toyota South Africa Motors (Pty) Ltd. | Entity controlled by the Company's key management | " | 147,392 | 2% | Closes its accounts 15 days after the end of each month | " | " | 246 | - | |
| Carmax Co., Ltd. | Smart Design Technology Co., Ltd. | Subsidiary | Purchases | 473,711 | 9% | Closes its accounts 10 days after the end of each month | " | " | (64,276) | 9% | |
| Carmax Co., Ltd. | Ho Tai Motor Co., Ltd. | Ultimate parent company | " | 124,227 | 2% | Closes its accounts 10 days after the end of each month | " | " | (12,919) | 2% | |
| Hotai Finance Co., Ltd. | Central Motor Co., Ltd. | Associates | " | 5,954,803 | 12% | Payment at sight | " | " | (25,690) | 5% | Note 1 |
| Hotai Finance Co., Ltd. | Kuotu Motor Co., Ltd. | " | " | 5,443,416 | 11% | Payment at sight | " | " | (113,940) | 20% | " |
| Hotai Finance Co., Ltd. | Kau Du Automobile Co., Ltd. | " | " | 5,252,153 | 11% | Payment at sight | " | " | (117,372) | 21% | " |
| Hotai Finance Co., Ltd. | Tau Miau Motor Co., Ltd. | " | " | 4,870,355 | 10% | Payment at sight | " | " | (550) | - | " |
| Hotai Finance Co., Ltd. | Nan Du Motor Co., Ltd. | " | " | 4,035,189 | 8% | Payment at sight | " | " | (21,380) | 4% | " |
| Hotai Finance Co., Ltd. | Taipei Toyota Motor Co., Ltd. | " | " | 4,476,212 | 9% | Payment at sight | " | " | (122,580) | 22% | " |
| Hotai Finance Co., Ltd. | Lang Yang Toyota Motor Co., Ltd. | " | " | 647,094 | 1% | Payment at sight | " | " | (2,600) | - | " |

| | | Transaction | | Differences in transaction terms | | Notes/accounts receivable (payable) | | | | | |
|---|---|---|-------------------|----------------------------------|---------------------------------------|---|----------------|-------------|-----------|---|----------|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Hotai Finance Co., Ltd. | Eastern Motor Co., Ltd. | Associates | Purchases | 646,339 | 1% | Payment at sight | Normal | Normal | (3,620) | 1% | Note 1 |
| Hotai Leasing Co., Ltd. | Hoing Mobility Service Corporation | Subsidiary | Sales | 1,513,927 | 24% | Collection at sight | " | " | 14,976 | 1% | Note 2 |
| Hotai Leasing Co., Ltd. | Central Motor Co., Ltd. | Associates | Purchases | 2,465,817 | 18% | Payment at sight | " | " | (10,223) | 9% | " |
| Hotai Leasing Co., Ltd. | Taipei Toyota Motor Co., Ltd. | " | " | 1,059,314 | 8% | Payment at sight | " | " | - | - | " |
| Hotai Leasing Co., Ltd. | Ho Tai Motor Co., Ltd. | Ultimate parent company | " | 1,015,101 | 7% | Payment at sight | " | " | (51,183) | 43% | " |
| Hotai Leasing Co., Ltd. | Central Motor Co., Ltd. | Associates | " | 896,924 | 7% | Payment at sight | " | " | - | - | " |
| Hotai Leasing Co., Ltd. | Tau Miau Motor Co., Ltd. | " | " | 811,856 | 6% | Payment at sight | " | " | - | - | " |
| Hotai Leasing Co., Ltd. | Kau Du Automobile Co., Ltd. | " | " | 641,482 | 5% | Payment at sight | " | " | - | - | " |
| Hotai Leasing Co., Ltd. | Chang Yuan Motor Co., Ltd. | " | " | 484,796 | 4% | Payment at sight | " | " | - | - | " |
| Hotai Leasing Co., Ltd. | Nan Du Motor Co., Ltd. | " | " | 467,180 | 3% | Payment at sight | " | " | (3,026) | 3% | " |
| Hotai Leasing Co., Ltd. | Lang Yang Toyota Motor Co., Ltd. | " | " | 122,340 | 1% | Payment at sight | " | " | - | - | " |
| Hoing Mobility Service Corporation | Hotai Leasing Co., Ltd. | Parent company | " | 1,513,927 | 53% | Payment at sight | " | " | (14,976) | 39% | " |
| Hoing Mobility Service Corporation | Ho Tai Motor Co., Ltd. | Ultimate parent company | " | 512,354 | 18% | Payment at sight | " | " | - | - | " |
| Eastern Motor Co., Ltd. | Ho Tai Motor Co., Ltd. | " | " | 2,187,417 | 89% | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | " | " | (41,472) | 89% | " |
| Eastern Motor Co., Ltd. | Hotai Finance Co., Ltd. | Associates | Sales | 646,339 | 24% | Collection at sight | " | " | 3,620 | 7% | " |
| Toyota Material Handling Taiwan Ltd. | Toyota Industries Corporation | Entity controlled by the Company's key management | Purchases | 285,749 | 43% | Closes its accounts 15 days after the end of each month | Not applicable | " | (4,409) | 7% | " |
| Smart Design Technology Co., Ltd. | Carmax Co., Ltd. | Parent company | Sales | 473,711 | 97% | Closes its accounts 10 days after the end of each month | Normal | " | 64,276 | 92% | " |
| Ho Tai Development Co., Ltd. | Ho Tai Service & Marketing Co., Ltd. | Subsidiary | Purchases | 192,332 | 2% | Closes its accounts 60 days after the end of each month | " | " | (35,425) | 12% | " |
| Ho Tai Service & Marketing Co., Ltd. | Ho Tai Development Co., Ltd. | Parent company | Sales | 192,332 | 34% | Closes its accounts 60 days after the end of each month | " | " | 35,425 | 67% | " |
| Shanghai Heling Motor Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | Entity controlled by the Company's key management | Purchases | 3,141,820 | 90% | Payment in advance | " | " | - | - | " |
| Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 2,205,456 | 90% | Payment in advance | " | " | - | - | " |
| Nanchang Heling Lexus Motors Sales & Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 2,141,363 | 97% | Payment in advance | " | " | - | - | " |
| Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 2,091,864 | 98% | Payment in advance | " | " | - | - | " |
| Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 1,467,123 | 100% | Payment in advance | " | " | - | - | " |
| Tianjin Heling Lexus Motor Sales & Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 1,519,248 | 100% | Payment in advance | " | " | - | - | " |
| Tianjin Hozhan Motor Service Co., Ltd. | Toyota Motor (China) Investment Co., Ltd. | " | " | 117,196 | 11% | Payment in advance | " | " | - | - | " |
| Carmax Autotech (Shanghai) Co., Ltd. | Hotong Motor Investment Co., Ltd. | Associates | Sales | 136,392 | 51% | Closes its accounts 30 days after the end of each month | " | " | 14,745 | 31% | " |
| Hotong Motor Investment Co., Ltd. | Carmax Autotech (Shanghai) Co., Ltd. | " | Purchases | 136,392 | 89% | Closes its accounts 30 days after the end of each month | " | " | (14,745) | 2% | " |

Note1: It was the installment sales to related party. Details are provided in Note 7(2)B(h).

Note2: Hotai Leasing Co., Ltd. and Hoing Mobility Service Corporation purchase vehicles 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
December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

| Creditor | Counterparty | Relationship with the counterparty | Balance as at | | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|------------------------|-------------------------------|---------------------------------------|---------------------|------------|---------------|---------------------|--------------|---|------------------------------------|
| | | | December 31, 2019 | | | Amount | Action taken | | |
| Ho Tai Motor Co., Ltd. | Central Motor Co., Ltd. | Associates | Accounts receivable | \$ 448,873 | 55.60 | - | - | 448,873 | - |
| | | | Other receivables | \$ 13,314 | | - | - | 13,314 | - |
| Ho Tai Motor Co., Ltd. | Tau Miau Motor Co., Ltd. | " | Accounts receivable | \$ 340,243 | 64.72 | - | - | 340,243 | - |
| | | | Other receivables | \$ 12,082 | | - | - | 12,082 | - |
| Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | Subsidiary | Accounts receivable | \$ 181,879 | 12.25 | - | - | 181,879 | - |
| | | | Other receivables | \$ 18,917 | | - | - | 18,917 | - |
| Ho Tai Motor Co., Ltd. | Taipei Toyota Motor Co., Ltd. | Associates | Accounts receivable | \$ 324,251 | 54.50 | - | - | 324,251 | - |
| | | | Other receivables | \$ 7,702 | | - | - | 7,702 | - |
| Ho Tai Motor Co., Ltd. | Kau Du Automobile Co., Ltd. | " | Accounts receivable | \$ 264,540 | 59.11 | - | - | 264,540 | - |
| | | | Other receivables | \$ 9,689 | | - | - | 9,689 | - |
| Ho Tai Motor Co., Ltd. | Kuotu Motor Co., Ltd. | " | Accounts receivable | \$ 255,694 | 52.43 | - | - | 255,694 | - |
| | | | Other receivables | \$ 35,799 | | - | - | 35,799 | - |
| Ho Tai Motor Co., Ltd. | Nan Du Motor Co., Ltd. | " | Accounts receivable | \$ 248,266 | 57.90 | - | - | 248,266 | - |
| | | | Other receivables | \$ 9,297 | | - | - | 9,297 | - |
| Carmax Co., Ltd. | Ho Tai Motor Co., Ltd. | Ultimate parent company | Accounts receivable | \$ 250,172 | 7.87 | - | - | 250,172 | - |
| Carmax Co., Ltd. | Kuozui Motors, Ltd. | Associates | " | \$ 144,901 | 6.06 | - | - | 144,901 | - |
| Carmax Co., Ltd. | Wang Fu Co., Ltd. | " | " | \$ 102,875 | 4.61 | - | - | 102,875 | - |
| Carmax Co., Ltd. | Zhongyang Motor Co., Ltd. | " | " | \$ 126,401 | 4.44 | - | - | 126,401 | - |

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Year ended December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of total operating revenues or total assets |
|--------------------|----------------------------|----------------------------------|--------------------------|--------------------------------|--------------|---|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 0 | Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | 1 | Sales revenue | \$ 2,663,928 | Closes its accounts 7 days 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 | 1,419,432 | 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 | Compensation expense | 154,810 | | - |
| 0 | Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | 1 | Accounts receivable | 181,879 | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | - |
| 0 | Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | 1 | Other income | 123,650 | | - |
| 0 | Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | 1 | Rental income | 71,283 | | - |
| 0 | Ho Tai Motor Co., Ltd. | Eastern Motor Co., Ltd. | 1 | Sales revenue | 2,187,417 | Closes its accounts 7 days 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 | 41,472 | Closes its accounts 7 days after the end of each week, interest bearing from transaction date | - |
| 0 | Ho Tai Motor Co., Ltd. | Carmax Co., Ltd. | 1 | Accounts payable | 250,172 | Closes its accounts 16 days after the end of each month | - |
| 0 | Ho Tai Motor Co., Ltd. | Carmax Co., Ltd. | 1 | Sales revenue | 124,227 | Collection at sign | - |
| 0 | Ho Tai Motor Co., Ltd. | Hotai Leasing Co., Ltd. | 1 | Sales revenue | 1,015,101 | Collection at sight | - |
| 0 | Ho Tai Motor Co., Ltd. | Hotai Leasing Co., Ltd. | 1 | Accounts receivable | 51,183 | | - |
| 0 | Ho Tai Motor Co., Ltd. | Hoing Mobility Service Co., Ltd. | 1 | Sales revenue | 512,354 | Collection at sight | - |
| 0 | Ho Tai Motor Co., Ltd. | Hotai Finance Co., Ltd. | 1 | Sales discounts and allowances | 179,777 | Closes its accounts 16 days after the end of each month | - |
| 1 | Chang Yuan Motor Co., Ltd. | Eastern Motor Co., Ltd. | 3 | Sales revenue | 92,868 | | - |
| 1 | Chang Yuan Motor Co., Ltd. | Hotai Leasing Co., Ltd. | 3 | Sales revenue | 484,796 | Collection at sight | - |
| 1 | Chang Yuan Motor Co., Ltd. | Hotai Finance Co., Ltd. | 3 | Sales revenue | 31,250 | | - |
| 2 | Eastern Motor Co., Ltd. | Hotai Leasing Co., Ltd. | 3 | Sales revenue | 56,697 | Collection at sight | - |
| 2 | Eastern Motor Co., Ltd. | Hotai Finance Co., Ltd. | 3 | Sales revenue | 646,339 | Collection at sight | - |
| 3 | Carmax Co., Ltd. | Doroman Autoparts Co., Ltd. | 3 | Sales revenue | 44,763 | | - |
| 3 | Carmax Co., Ltd. | Ho Tai Motor Co., Ltd. | 2 | Sales revenue | 2,139,978 | Closes its accounts 16 days after the end of each month | 1% |
| 3 | Carmax Co., Ltd. | Chang Yuan Motor Co., Ltd. | 3 | Sales revenue | 30,772 | | - |

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | Percentage of total operating revenues or total assets |
|--------------------|--------------------------------------|--|--------------------------|--------------------------|-----------|---|---|
| | | | | General ledger account | Amount | Transaction terms | |
| 4 | Carmax Autotech (Shanghai) Co., Ltd. | Hotong Motor Investment Co., Ltd. | 3 | Sales revenue | 136,392 | Closes its accounts 30 days after the end of each month | - |
| 4 | Carmax Autotech (Shanghai) Co., Ltd. | Carmax Co., Ltd. | 3 | Sales revenue | 42,139 | | - |
| 5 | Smart Design Technology Co., Ltd. | Carmax Co., Ltd. | 3 | Sales revenue | 473,711 | Closes its accounts 10 days after the end of each month | - |
| 5 | Smart Design Technology Co., Ltd. | Carmax Co., Ltd. | 3 | Accounts receivable | 64,276 | Closes its accounts 10 days after the end of each month | - |
| 6 | Hotai Leasing Co., Ltd. | Hoing Mobility Service Co., Ltd. | 3 | Internal - rental income | 62,675 | | - |
| 6 | Hotai Leasing Co., Ltd. | Hoing Mobility Service Co., Ltd. | 3 | Sales revenue | 1,513,927 | Collection at sight | - |
| 7 | Hotong Motor Investment Co., Ltd. | Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Sales revenue | 31,616 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Other payables | 114,201 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Sales revenue | 44,936 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Other payables | 191,480 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Tianjin Hozhan Motor Service Co., Ltd. | 3 | Other payables | 85,866 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Tianjin Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Other payables | 117,207 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Sales revenue | 76,769 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Other payables | 72,986 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Sales revenue | 39,137 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. | 3 | Other payables | 111,196 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Nanchang Heling Lexus Motors Sales & Service Co., Ltd. | 3 | Sales revenue | 37,070 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Nanchang Heling Lexus Motors Sales & Service Co., Ltd. | 3 | Other payables | 130,086 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Hozhan Motor Service Co., Ltd. | 3 | Sales revenue | 32,606 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Hozhan Motor Service Co., Ltd. | 3 | Other receivables | 75,304 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd. | 3 | Other payables | 37,352 | | - |
| 7 | Hotong Motor Investment Co., Ltd. | Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. | 3 | Other payables | 51,949 | | - |
| 8 | Ho Tai Service & Marketing Co., Ltd. | Ho Tai Development Co., Ltd. | 3 | Sales revenue | 192,332 | Closes its accounts 60 days after the end of each month | - |
| 8 | Ho Tai Service & Marketing Co., Ltd. | Ho Tai Development Co., Ltd. | 3 | Accounts receivable | 35,425 | Closes its accounts 60 days after the end of each month | - |
| 9 | Hotai Insurance Co., Ltd | Hotai Leasing Co., Ltd. | 3 | Insurance premium | 135,497 | | - |

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : The percentage of transaction amount over consolidated total revenues or total assets is as follows:

Assets and liabilities are calculated using the ending balance over the consolidated total assets at eneding period;
Sales is calculated using the amount of the period over the consolidated total revenue of the period.

Ho Tai Motor Co., Ltd.
Names, locations and other information of investee companies (not including investees in Mainland China)
Year ended December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Footnote |
|---|---|------------------------|---|------------------------------|---------------------------------|-------------------------------------|---------------|---------------|--|---|--|
| | | | | Balance at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | | | |
| Ho Tai Motor Co., Ltd. | Hozan Investment Co., Ltd. | Taiwan | General investment | \$ 7,780,182 | \$ 7,780,182 | - | 100.00 | \$ 20,714,779 | \$ 2,199,949 | \$ 2,199,949 | 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 | 4,315,317 | 812,159 | 243,292 | Investee company accounted for using the equity method |
| Ho Tai Motor Co., Ltd. | Shanghai Ho-Yu (BVI) Investment Co., Ltd. | British Virgin Islands | General investment | 2,380,333 | 1,765,743 | 79,397,360 | 100.00 | 5,834,220 | 877,941 | 877,941 | Subsidiary |
| Ho Tai Motor Co., Ltd. | Chang Yuan Motor Co., Ltd. | Taiwan | Sales of vehicles and parts and repairing of vehicles | 326,463 | 326,463 | 313,500,000 | 100.00 | 4,150,614 | 411,819 | 411,819 | " |
| Ho Tai Motor Co., Ltd. | Central Motor Co., Ltd. | " | " | 2,098,966 | 2,098,966 | 15,000,000 | 20.00 | 2,528,177 | 754,811 | 147,888 | 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 | 2,616,032 | 675,638 | 303,730 | 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 | 1,501,798 | 547,498 | 104,826 | Investee company accounted for using the equity method |
| Ho Tai Motor Co., Ltd. | Kau Du Automobile Co., Ltd. | " | " | 1,236,592 | 1,236,592 | 22,161,150 | 20.00 | 1,361,522 | 333,425 | 60,482 | " |
| Ho Tai Motor Co., Ltd. | Carmax Co., Ltd. | " | Trading of vehicle products/accessories | 153,030 | 153,030 | 22,950,000 | 51.00 | 1,284,584 | 854,804 | 435,950 | Subsidiary |
| 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 | 1,078,674 | 409,127 | 142,417 | Investee company accounted for using the equity method |
| Ho Tai Motor Co., Ltd. | Kuotu Motor Co., Ltd. | " | " | 1,010,667 | 1,010,667 | 17,553,761 | 20.05 | 1,124,145 | 597,525 | 119,804 | " |
| Ho Tai Motor Co., Ltd. | Nan Du Motor Co., Ltd. | " | " | 186,851 | 186,851 | 14,806,073 | 23.67 | 1,009,110 | 512,590 | 121,330 | " |
| Ho Tai Motor Co., Ltd. | Toyota Material Handling Taiwan Ltd. | " | Sales of vehicles and parts for industry use | 50,000 | 50,000 | 70,597,690 | 100.00 | 977,506 | 134,711 | 134,711 | Subsidiary |
| Ho Tai Motor Co., Ltd. | Eastern Motor Co., Ltd. | " | Sales of vehicles and parts and repairing of vehicles | 80,000 | 80,000 | 33,765,670 | 100.00 | 378,068 | 20,071 | 20,071 | " |
| Ho Tai Motor Co., Ltd. | Lang Yang Toyota Motor Co., Ltd. | " | " | 256,000 | 256,000 | 2,000,000 | 20.00 | 293,845 | 78,797 | 15,077 | 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 | 5,557 | 1,295,108 | 44.44 | 357,798 | 5,614 | 2,512 | " |
| 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 | 124,467 | 29,346 | 6,204 | " |
| 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 | 111,996 | 96,599 | 24,150 | " |
| Ho Tai Motor Co., Ltd. | Smart Design Technology Co., Ltd. | " | Electronic parts and components manufacturing | 10,763 | 10,763 | 960,961 | 20.00 | 16,636 | 21,772 | 4,354 | Subsidiary |
| Shanghai Ho-Yu (BVI) Investment Co., Ltd. | Tienjin Ho Yu Investment Co., Ltd. | British Virgin Islands | General investment | 104,930 | 104,930 | 3,500,000 | 70.00 | 125,552 | 22,676 | - | An indirect wholly-owned subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2019 | | | Net profit (loss) of the investee for the year ended December 31, 2019 | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Footnote |
|---|--|------------------------|--|------------------------------|---------------------------------|-------------------------------------|---------------|------------|--|---|---|
| | | | | Balance at December 31, 2019 | Balance as at December 31, 2018 | Number of shares | Ownership (%) | Book value | | | |
| Shanghai Ho-Yu (BVI) Investment Co., Ltd. | Beijing Ho-Yu (BVI) Investment Co., Ltd. | British Virgin Islands | General investment | 35,976 | 35,976 | 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 | 727,060 | 233,782,831 | 45.39 | 9,313,192 | 2,235,585 | - | An indirect wholly-owned subsidiary |
| Hozan Investment Co., Ltd. | Hotai Leasing Co., Ltd. | " | Leasing of vehicles | 181,907 | 181,907 | 83,629,381 | 66.04 | 2,528,492 | 651,102 | - | " |
| Hozan Investment Co., Ltd. | Hozao Enterprise Co., Ltd. | " | Installment trading of various vehicles | 34,756 | 34,756 | 3,823,128 | 18.29 | 330,318 | 74,569 | - | 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 | 0.00 | 109 | 409,127 | - | " |
| Hozan Investment Co., Ltd. | Hotai Insurance Co., Ltd. | " | Property and casualty insurance services | 6,831,887 | 6,831,887 | 19,960,531 | 99.80 | 7,423,832 | 327,478 | - | An indirect wholly-owned subsidiary |
| Hozan Investment Co., Ltd. | Heng Yun Investment Co., Ltd. | " | General investment | 298,864 | 298,864 | 20,470,156 | 40.00 | 335,909 | 139,623 | - | Subsidiary's investee company accounted for using the equity method |
| Hozan Investment Co., Ltd. | Ho Tai Cyber Connection Co., Ltd. | " | E-commerce platform services of used vehicles | 230,000 | 230,000 | 23,000,000 | 100.00 | 31,196 (| 100,381) | - | An indirect wholly-owned subsidiary |
| Hozan Investment Co., Ltd. | Hotai Innovation Marketing Co., Ltd. | " | Retail and wholesale of collections | 10,000 | 10,000 | 1,000,000 | 100.00 | 116,079 | 106,247 | - | " |
| Hotai Finance Co., Ltd. | Hoyun International Limited | British Virgin Islands | General investment | 1,211,192 | 1,211,192 | 40,400,000 | 50.50 | 1,657,052 | 283,157 | - | " |
| Hotai Leasing Co., Ltd. | Hoyun International Limited | " | " | 1,187,208 | 1,187,208 | 39,600,000 | 49.50 | 1,623,400 | 283,157 | - | " |
| Hotai Leasing Co., Ltd. | Hoing Mobility Service Co., Ltd. | Taiwan | Leasing of vehicles | 300,000 | 300,000 | 30,000,000 | 100.00 | 274,393 | 536 | - | " |
| Ho Tai Development Co., Ltd. | Ichiban International Co., Ltd. | Samoa | General investment | 89,940 | 89,940 | 3,000,000 | 100.00 | 104,779 (| 8,428) | - | " |
| Ho Tai Development Co., Ltd. | Ho Tai Service & Marketing Co., Ltd. | Taiwan | Repairing of air conditioning equipment and trading of their parts | 100,000 | 50,000 | 12,652,898 | 100.00 | 586,465 | 106,929 | - | " |
| Ho Tai Development Co., Ltd. | Interface Communications Ltd. | " | Advertisement making | - | 2,400 | - | - | - | - | - | Subsidiary's investee company accounted for using the equity method |
| Ho Tai Development Co., Ltd. | Kashiwabara Hotai Taiwan Co., Ltd. | " | Wholesale and retail of paints and coating | 8,820 | 8,820 | 882,000 | 24.50 | 9,690 | 9,309 | - | " |
| Ho Tai Service & Marketing Co., Ltd. | Kashiwabara Hotai Taiwan Co., Ltd. | " | " | 8,820 | 8,820 | 882,000 | 24.50 | 11,101 | 9,309 | - | An indirect wholly-owned subsidiary |
| Carmax Co., Ltd. | Smart Design Technology Co., Ltd. | " | Electronic parts and components manufacturing | 33,242 | 33,242 | 2,968,016 | 61.77 | 51,201 | 21,772 | - | Subsidiary |
| Eastern Motor Co., Ltd. | Doroman Autoparts Co., Ltd. | " | Wholesale and retail of vehicles parts and accessories | 500 | 500 | 138,718 | 100.00 | 16,837 | 10,754 | - | An indirect wholly-owned subsidiary |
| Ichiban International Co., Ltd. | Air Master International Co., Ltd. | Samoa | General investment | 89,940 | 89,940 | 3,000,000 | 100.00 | 104,745 (| 8,356) | - | " |

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information
Year ended December 31, 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of investee for the year ended December 31, 2019 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investment in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|--|--|-----------------|----------------------------|--|-------------------------|---|--|--|---|--|---|--|---|----------|
| | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | | | |
| Hotong Motor Investment Co., Ltd. | Operation decision making, capital using and financial management, information services, employee trainings and other services | 2,954,379 | Note 2 | 343,271 | 614,590 | - | 957,861 | 897,404 | 100.00 | 897,404 | 5,673,713 | - | Note 2.1 | |
| Shanghai Hoyu Motor Service Co., Ltd. | Sales and repairing of vehicles | 101,033 | " | 101,033 | - | - | 101,033 | 99,600 | 100.00 | 99,600 | 289,942 | - | " | |
| ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd. | " | 128,799 | " | 11,018 | - | - | 11,018 | - | 10.48 | - | 11,018 | - | Note 2.2 | |
| Beijing Hoyu Toyota Motor Sales & Service Co., Ltd. | " | 89,940 | " | 29,980 | - | - | 29,980 | - | 40.00 | - | - | - | " | |
| Chongqing Heling Lexus Motor Sales & Service Co., Ltd. | " | 179,880 | " | 179,880 | - | - | 179,880 | 117,345 | 100.00 | 117,345 | 392,874 | - | Note 2.1 | |
| Shanghai Hozhan Motor Service Co., Ltd. | " | 89,940 | " | 89,940 | - | - | 89,940 | 47,315 | 100.00 | 47,315 | 165,023 | - | " | |
| Tianjin Ho-Yu Motor Sales & Service Co., Ltd. | " | 149,900 | " | 104,930 | - | - | 104,930 | 22,676 | 70.00 | 15,873 | 125,552 | - | " | |
| Shanghai Heling Motor Service Co., Ltd. | " | 104,930 | Note 3 | 78,698 | - | - | 78,698 | 321,036 | 100.00 | 321,036 | 609,951 | - | " | |
| ChongQing Yurun Toyota Automobile Service Co., Ltd. | " | 128,799 | Note 2 | 11,805 | - | - | 11,805 | - | 10.48 | - | 11,805 | 26,106 | Note 2.2 | |
| Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd. | Sales of vehicles and parts for industry use | 179,880 | " | 179,880 | - | - | 179,880 | 9,016 | 100.00 | 9,016 | 152,863 | - | Note 2.1 | |
| Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd. | Sales and repairing of vehicles | 409,227 | " | 278,814 | - | - | 278,814 | 4,486 | 100.00 | 4,486 | 210,222 | - | " | |
| Zaozhung Ho-Wan Motor Sales & Service Co., Ltd. | " | 42,933 | Note 3 | - | - | - | (351) | 351 | 100.00 | (351) | 42,382 | - | " | |
| Tangshan Heling Lexus Motor Sales & Service Co., Ltd. | " | 173,884 | Note 2 | 173,884 | - | - | 173,884 | 101,070 | 100.00 | 101,070 | 311,690 | - | " | |
| Nanchang Heling Lexus Motors Sales & Service Co., Ltd. | " | 194,870 | " | 194,870 | - | - | 194,870 | 131,465 | 100.00 | 131,465 | 340,740 | - | " | |
| Hoyun International Lease Co., Ltd. | Leasing, wholesale, retail of and support service for vehicles | 2,398,400 | " | 2,398,400 | - | - | 2,398,400 | 283,157 | 55.61 | 157,471 | 1,824,262 | - | " | |
| Hoyun (Shanghai) Commercial Factoring Co., Ltd. | Factoring services | 214,665 | Note 3 | - | - | - | - | 3,830 | 55.61 | 2,130 | 133,464 | - | " | |
| He Zhan Development Co., Ltd. | Trading of air conditioning equipment | 89,940 | Note 2 | 89,940 | - | - | 89,940 | (8,356) | 45.01 | (3,761) | 47,144 | - | Note 2.2 | |
| Tianjin Heling Lexus Motor Sales & Service Co., Ltd. | Sales and repairing of vehicles | 359,760 | Note 3 | - | - | - | - | 86,145 | 100.00 | 86,145 | 408,518 | - | Note 2.1 | |
| Tianjin Hozhan Motor Service Co., Ltd. | " | 294,520 | " | - | - | - | - | 26,948 | 100.00 | 26,948 | 272,257 | - | " | |
| Linyi Hoyu Toyota Motor Sales & Service Co., Ltd. | " | 359,760 | " | - | - | - | (1,214) | 1,214 | 35.00 | (425) | 58,284 | - | Note 2.2 | |
| Carmax Autotech (Shanghai) Co., Ltd. | Trading of vehicle products/accessories | 39,873 | Note 1 | 39,873 | - | - | 39,873 | 36,338 | 51.00 | 18,532 | 107,286 | - | " | |
| Guangzhou Gac Changho Autotech Corporation | " | 95,736 | " | 43,081 | - | - | 43,081 | 107,570 | 22.95 | 24,687 | 49,305 | 91,074 | " | |
| Linyi Heling Lexus Motor Sales & Service Co., Ltd. | Sales and repairing of vehicles | 299,800 | Note 3 | - | - | - | - | 35,929 | 35.00 | 12,575 | 89,251 | - | " | |

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method (Note 1) | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019 | | | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | Net income of investee for the year ended December 31, 2019 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognized by the Company for the year ended December 31, 2019 | Book value of investment in Mainland China as of December 31, 2019 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019 | Footnote |
|---|---|-----------------|----------------------------|--|----------------|------------------|--|--|---|--|---|--|---|----------|
| | | | | Accumulated | Remitted to | Remitted back to | | | | | | | | |
| | | | | amount of remittance from Taiwan to Mainland China as of January 1, 2019 | Mainland China | Taiwan | | | | | | | | |
| Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd. | Sales and repairing of vehicles | 449,700 | Note 3 | - | - | - | - | 44,084 | 35.00 | 15,429 | 152,301 | - | Note 2.3 | |
| Beijing Heling Lexus Motor Sales & Service Co., Ltd. | " | 359,760 | " | - | - | - | - | 91,341 | 35.00 | 31,969 | 149,964 | - | Note 2.2 | |
| Jinzhong Central Toyota Motor Sales & Service Co., Ltd. | " | 419,720 | " | - | - | - | (| 27,496) | 35.00 | (9,624) | 59,845 | - | Note 2.3 | |
| Shanghai Hede Used Vehicle Co., Ltd. | Trading of used vehicles | 12,880 | " | - | - | - | - | 11,364 | 60.00 | 6,818 | 22,106 | - | Note 2.1 | |
| Shanghai Guangxin Cultural Media Co., Ltd. | Design and production of advertisements | 4,293 | " | - | - | - | - | 1,795 | 100.00 | 1,795 | 8,782 | - | " | |
| Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd. | Sales and repairing of vehicles | 458,957 | " | - | - | - | - | 84,650 | 100.00 | 80,429 | 434,459 | - | " | |
| Shanghai Ho-Mian Motor Technology Co., Ltd. | Trading of vehicle products/accessories and property management | 987,459 | " | - | - | - | (| 6,043) | 100.00 | (6,043) | 974,614 | - | " | |
| Shanghai Hoxin Motor Service Consulting Co.,Ltd. | Consulting service and property management | 8,587 | " | - | - | - | (| 1,320) | 100.00 | (1,320) | 4,525 | - | " | |
| Tianjin Heyi International Trading Co., Ltd. | Sales of imported vehicles | 85,866 | " | - | - | - | - | 641 | 100.00 | 641 | 87,125 | - | " | |
| Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd. | Sales and repairing of vehicles | 42,933 | " | - | - | - | (| 4,991) | 50.00 | (2,496) | 18,533 | - | " | |
| Shanghai HoChen Motor Technology Co., Ltd. | Trading of vehicle products/accessories and property management | 299,800 | " | - | - | - | (| 1,360) | 100.00 | (1,360) | 300,558 | - | Note 2.1 | |
| Shanghai Jiading Heling Lexus Motor Service Co., Ltd. | Sales and repairing of vehicles | 314,790 | " | - | - | - | - | - | 100.00 | - | 314,790 | - | Note 2.1 | |
| Tianjin Binhai Heling LEXUS Motor Service Co.,Ltd. | Sales and repairing of vehicles | 8,587 | " | - | - | - | - | - | 35.00 | - | 3,005 | - | Note 2.2 | |

Note 1: The investmets are classified as follows:

- (1) Direct investment in Mainland China.
- (2) Investment in Mainland China companies through a company invested and established in a third region.
- (3) Others.

Note 2:The amount of investment income (loss) recognized for the year ended December 31, 2019 is based on:

- (1) The financial statements were audited by R.O.C parent company's CPA.
- (2) The financial statements were audited by other independent accountants in PricewaterhouseCoopers, Taiwan.
- (3) Others.

Note 3: Related amounts in the following table are expressed in NTS.

Note 4: It was established in the second quarter of 2019. However, capital injection from Hotong Motor Investment Co., Ltd. has not been completed.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019 | 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. | \$ 2,228,260 | \$ 5,662,729 | \$ 45,365,176 |

HO TAI MOTOR CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 1

| Items | Description | Amount |
|--|---|---------------------|
| Petty cash | | \$ 330 |
| Checking accounts | | 9,916 |
| Demand deposits | | |
| -NTD | | 213,533 |
| -USD | USD 70 thousand, conversion rate 29.98 | 2,111 |
| -JPY | JPY 14,582 thousand, conversion rate 0.2760 | 4,025 |
| Cash equivalents-short-term notes and bills | | 798,315 |
| | | <u>\$ 1,028,230</u> |

HO TAI MOTOR CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 2

| Items | Amount | | Footnote |
|--|--------------|----------------------|----------|
| | Cost | Net realizable value | |
| Vehicles | \$ 4,211,089 | \$ 4,211,089 | |
| Parts | 671,209 | 597,964 | |
| Inventory in transit | 2,416,661 | 2,416,661 | |
| | 7,298,959 | \$ 7,225,714 | |
| Less: Allowance for inventory obsolescence | (73,245) | | |
| | \$ 7,225,714 | | |

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 3

| Investee | Balance at January 1, 2019 | | Additions | | Deductions | | Balance at December 31, 2019 | | | Net equity value | | Collateral pledged |
|---|----------------------------|----------------------|------------|---------------------|------------|-----------------------|------------------------------|---------------|----------------------|-------------------------|---------------|--------------------|
| | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Ownership (%) | Amount | Unit price (In dollars) | Total amount | |
| Hozan Investment Co., Ltd. | - | \$ 16,621,719 | - | \$ 5,216,325 | - | (\$ 1,123,265) | - | 100.00% | \$ 20,714,779 | \$ - | \$ 20,715,416 | None |
| Kuozui Motors, Ltd. | 103,800,000 | 4,286,842 | - | 533,789 | - | (505,314) | 103,800,000 | 30.00% | 4,315,317 | 42 | 4,333,463 | " |
| Chang Yuan Motor Co., Ltd. | 313,500,000 | 4,226,064 | 20,500,000 | 290,417 | - | (365,867) | 313,500,000 | 100.00% | 4,150,614 | 14 | 4,315,128 | " |
| Shanghai Ho-Yu (BVI) Investment Co., Ltd. | 58,897,360 | 4,566,458 | - | 1,514,568 | - | (246,806) | 79,397,360 | 100.00% | 5,834,220 | 73 | 5,826,634 | " |
| Central Motor Co., Ltd. | 15,000,000 | 2,444,355 | - | 155,659 | - | (71,837) | 15,000,000 | 20.00% | 2,528,177 | 112 | 1,676,620 | " |
| Ho Tai Development Co., Ltd. | 24,710,856 | 2,437,722 | - | 303,730 | - | (125,553) | 24,710,856 | 45.01% | 2,616,032 | 107 | 2,649,947 | " |
| Tau Miau Motor Co., Ltd. | 15,153,573 | 1,428,177 | - | 111,621 | - | (38,000) | 15,153,573 | 20.00% | 1,501,798 | 70 | 1,064,958 | " |
| Kau Du Automobile Co., Ltd. | 22,161,150 | 1,321,898 | - | 61,785 | - | (22,161) | 22,161,150 | 20.00% | 1,361,522 | 39 | 873,829 | " |
| Carmax Co., Ltd. | 22,950,000 | 1,201,670 | - | 435,972 | - | (353,058) | 22,950,000 | 51.00% | 1,284,584 | 55 | 1,271,605 | " |
| Taipei Toyota Motor Co., Ltd. | 25,438,987 | 980,667 | - | 148,818 | - | (50,811) | 25,438,987 | 34.81% | 1,078,674 | 51 | 1,295,831 | " |
| Kuotu Motor Co., Ltd. | 17,553,761 | 1,018,969 | - | 117,863 | - | (12,687) | 17,553,761 | 20.05% | 1,124,145 | 64 | 1,127,145 | " |
| Nan Du Motor Co., Ltd. | 14,806,073 | 938,419 | - | 124,156 | - | (53,465) | 14,806,073 | 23.67% | 1,009,110 | 69 | 1,016,241 | " |
| Toyota Material Handling Taiwan Ltd. | 59,670,833 | 849,171 | - | 134,711 | - | (6,376) | 59,670,833 | 100.00% | 977,506 | 16 | 977,507 | " |
| Eastern Motor Co., Ltd. | 33,765,670 | 359,618 | - | 18,450 | - | - | 33,765,670 | 100.00% | 378,068 | 11 | 384,464 | " |
| Lang Yang Toyota Motor Co., Ltd. | 2,000,000 | 284,740 | - | 14,905 | - | (5,800) | 2,000,000 | 20.00% | 293,845 | 82 | 164,251 | " |
| Formosa Flexible Packaging Corp. | 1,007,609 | 272,434 | 287,499 | 85,607 | - | (243) | 1,295,108 | 45.54% | 357,798 | 295 | 381,854 | " |
| Shi-Ho Screw Industrial Co., Ltd. | 211,433 | 132,677 | - | 6,204 | - | (14,414) | 211,433 | 21.14% | 124,467 | 571 | 120,685 | " |
| Yokohama Tire Taiwan Co., Ltd. | 3,000 | 125,346 | - | 24,150 | - | (37,500) | 3,000 | 25.00% | 111,996 | 38,572 | 115,716 | " |
| Smart Design Technology Co., Ltd. | 960,961 | 12,282 | - | 4,354 | - | - | 960,961 | 20.00% | 16,636 | 17 | 16,497 | " |
| | | <u>\$ 43,509,228</u> | | <u>\$ 9,303,084</u> | | <u>(\$3,033,157)</u> | | | <u>\$ 49,779,288</u> | | | |

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 4

| Items | Balance as of January 1, 2019 | Additions | Deductions | Reclassifications | Balance as of December 31, 2019 | Guaranteed or Pledged as collateral |
|---------------------------------|----------------------------------|-------------------|--------------------|-------------------|------------------------------------|---|
| Land | | | | | | |
| Cost | \$ 2,143,310 | \$ - | \$ - | \$ - | \$ 2,143,310 | None |
| Less: Accumulated impairment | (26,850) | - | - | - | (26,850) | " |
| Subtotal | 2,116,460 | | | | 2,116,460 | " |
| Revaluation gain | 931,497 | - | - | - | 931,497 | " |
| Buildings and structures | | | | | | |
| Cost | 1,251,553 | 2,808 | (1,740) | 14,345 | 1,266,966 | " |
| Revaluation gain | 96 | - | - | - | 96 | " |
| Utility equipment | 129,642 | 410 | - | - | 130,052 | " |
| Office equipment | 515,052 | 24,702 | (31,711) | 34,194 | 542,237 | " |
| Others | 7,821 | 5,492 | (77) | - | 13,236 | " |
| Rental assets | 78,612 | - | - | - | 78,612 | " |
| Construction in progress | 80,186 | 308,273 | - | (46,777) | 341,682 | " |
| | <u>\$ 5,110,919</u> | <u>\$ 341,685</u> | <u>(\$ 33,528)</u> | <u>\$ 1,762</u> | <u>\$ 5,420,838</u> | |

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 5

| Items | Balance as of January 1, 2019 | Additions | Deductions | Reclassifications | Balance as of December 31, 2019 | Footnote |
|--------------------------|----------------------------------|------------------|--------------------|-------------------|------------------------------------|----------|
| Buildings and structures | \$ 710,476 | \$ 36,147 | (\$ 1,648) | \$ 2,510 | \$ 747,485 | |
| Utility equipment | 127,645 | 562 | - | - | 128,207 | |
| Office equipment | 430,349 | 29,312 | (22,129) | - | 437,532 | |
| Others | 5,515 | 621 | (77) | - | 6,059 | |
| Rental assets | 78,294 | 44 | - | - | 78,338 | |
| | <u>\$ 1,352,279</u> | <u>\$ 66,686</u> | <u>(\$ 23,854)</u> | <u>\$ 2,510</u> | <u>\$ 1,397,621</u> | |

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY - COST
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 6

| Items | Balance as of January 1, 2019 | Additions | Deductions | Reclassifications | Balance as of December 31, 2019 | Guaranteed or Pledged as collateral |
|--------------------------|----------------------------------|---------------|-------------|---------------------|------------------------------------|--|
| Land | | | | | | |
| Cost | \$ 755,900 | \$ - | \$ - | \$ - | \$ 755,900 | None |
| Revaluation gain | 742,263 | - | - | - | 742,263 | " |
| Buildings and structures | | | | | | |
| Cost | 978,816 | 269 | - | (1,763) | 977,322 | " |
| Revaluation gain | 11,983 | - | - | - | 11,983 | " |
| | <u>\$ 2,488,962</u> | <u>\$ 269</u> | <u>\$ -</u> | <u>(\$ 1,763)</u> | <u>\$ 2,487,468</u> | |

HO TAI MOTOR CO., LTD.
STATEMENT OF CHANGES IN INVESTMENT PROPERTY – ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 7

| <u>Items</u> | <u>Balance as of January 1, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Reclassifications</u> | <u>Balance as of December 31, 2019</u> | <u>Footnote</u> |
|--------------------------------|--|------------------|-------------------|--------------------------|--|-----------------|
| Buildings and structures | \$ 499,343 | \$ 24,892 | \$ - | (\$ 2,510) | \$ 521,725 | |

HO TAI MOTOR CO., LTD.
STATEMENT OF SHORT-TERM LOANS
December 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 8

| Type | Description | Balance as of December 31, 2019 | Contract period | Range of interest rate (%) | Loans Commitments | Pledges or collaterals |
|----------------------|--|------------------------------------|----------------------|----------------------------------|----------------------|---------------------------|
| Unsecured borrowings | MUFG Bank, Ltd., Taipei Branch (foreign currency) | \$ 803,464 | 2019/12/30~2020/1/13 | 2.36% | \$ 1,798,800 | None |
| | Mizuho Bank, Ltd., Taipei Branch (foreign currency) | 659,560 | 2019/12/16~2020/1/7 | 2.22% | 6,000,000 | " |
| | Mizuho Bank, Ltd., Taipei Branch (foreign currency) | 77,640 | 2019/12/16~2020/1/15 | 2.22% | 6,000,000 | " |
| | Citibank Taiwan, Ltd. (foreign currency) | 275,696 | 2019/12/16~2020/1/15 | 2.10% | 959,360 | " |
| | Citibank Taiwan, Ltd. (foreign currency) | <u>135,047</u> | 2019/12/16~2020/1/15 | 2.10% | 959,360 | " |
| | | <u>\$ 1,951,407</u> | | | | |

Note: Interest rate between 2.10%~2.36%.

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 9

| Items | Quantity | Amount | Footnote |
|--|--------------|-----------------------|----------|
| Revenue from contracts with customers: | | | |
| Sales revenue of vehicles | | | |
| Sedan | 121,807 cars | \$ 113,717,750 | |
| Others | 1,048 cars | 1,721,088 | |
| Sales revenue of parts | | 12,049,178 | |
| Others | | <u>1,472,435</u> | |
| Subtotal | | 128,960,451 | |
| Sales returns and allowance | | (<u>2,067,818</u>) | |
| | | <u>\$ 126,892,633</u> | |

HO TAI MOTOR CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 10

| Items | Description | Amount | Footnote |
|---|-------------|----------------------|----------|
| Initial inventories | | \$ 5,303,134 | |
| Add: Merchandise purchase | | 117,121,722 | |
| Others | | 943,512 | |
| Less: Ending inventories | | (7,298,959) | |
| Reclassified to fixed assets and expenses | | (20,399) | |
| Loss on physical inventory observation | | (23) | |
| Others | | (7,155) | |
| Operating costs | | <u>\$116,041,832</u> | |

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HO TAI MOTOR CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

STATEMENT 11

| Items | Description | Amount | Footnote |
|-----------------------|-------------|---------------------|--|
| Wages and salaries | | \$ 597,037 | Including pension costs |
| Advertisement expense | | 963,036 | |
| Freight | | 292,923 | |
| Miscellaneous | | 517,057 | The amount of each item in others does not exceed 5% of the account balance. |
| | | <u>\$ 2,370,053</u> | |

HO TAI MOTOR CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

STATEMENT 12

| Items | Description | Amount | Footnote |
|-----------------------------|-------------|---------------------|--|
| Wages and salaries | | \$ 856,896 | Including pension costs |
| Directors' remuneration | | 300,134 | |
| Miscellaneous disbursements | | 60,677 | |
| Others | | 260,966 | The amount of each item in others does not exceed 5% of the account balance. |
| | | <u>\$ 1,478,673</u> | |

HO TAI MOTOR CO., LTD.
SUMMARY OF EMPLOYEE BENEFITS EXPENSES, DEPRECIATION AND AMORTIZATION BY FUNCTION
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

STATEMENT 13

| By nature \ By function | Years ended December 31, | | | | | |
|----------------------------------|----------------------------------|--|--------------|----------------------------------|--|--------------|
| | 2019 | | | 2018 | | |
| | Classified as operating costs | Classified as operating expenses | Total | Classified as operating costs | Classified as operating expenses | Total |
| Employee benefit expense | | | | | | |
| Wages and salaries | \$ - | \$ 1,426,229 | \$ 1,426,229 | \$ - | \$ 1,309,180 | \$ 1,309,180 |
| Labour and health insurance fees | - | 64,101 | 64,101 | - | 62,314 | 62,314 |
| Pension costs | - | 27,704 | 27,704 | - | 27,189 | 27,189 |
| Directors' remuneration | - | 300,134 | 300,134 | - | 262,853 | 262,853 |
| Other employee benefit expenses | - | 100,215 | 100,215 | - | 88,196 | 88,196 |
| Subtotal | - | 1,918,383 | 1,918,383 | - | 1,749,732 | 1,749,732 |
| Depreciation | - | 97,423 | 97,423 | - | 89,916 | 89,916 |
| Amortization | - | - | - | - | - | - |

Note:

- A. As at December 31, 2019 and 2018, the Company had 562 and 556 employees, including 11 and 12 non-employee directors, respectively.
- B. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
- (a) Average employee benefit expense in current year was \$2,937 ((Total employee benefit expense in current year–Total directors' compensation in current year)/(Number of employees in current year–Number of non-employee directors in current year)).
Average employee benefit expense in previous year was \$2,733 ((Total employee benefit expense in previous year–Total directors' compensation in previous year)/(Number of employees in previous year – Number of non-employee directors in previous year)).
- (b) Average employee salaries in current year was \$2,588 (Total employee salaries in current year / (Number of employees in current year–Number of non-employee directors in current year)).
Average employee salaries in previous year was \$2,407 (Total employee salaries in previous year / (Number of employees in previous year–Number of non-employee directors in previous year)).
- (c) Adjustments of average employee salaries was 7.52% ((Average employee salaries in current year- Average employee salaries in previous year)/ Average employee salaries in previous year).