

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2020 AND 2019**

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
JUNE 30, 2020 AND 2019
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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
(TRANSLATED FROM CHINESE)

PWCR20000085

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the “Group”) as of June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the consolidated statements of changes in equity and of cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(10), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT\$47,416,190 thousand and NT\$47,276,360 thousand, constituting 18% and 19% of the consolidated total assets, and total liabilities of NT\$11,284,692 thousand and NT\$13,104,777 thousand, constituting 6% and 7% of the consolidated total liabilities as at June 30, 2020 and 2019, and

total comprehensive income of NT\$1,095,842 thousand, NT\$1,098,798 thousand, NT\$1,925,977 thousand and NT\$1,885,746 thousand, constituting 26%, 28%, 28% and 25% of the consolidated total comprehensive income for the three months and six months then ended. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of June 30, 2020 and 2019.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months then ended, and its consolidated cash flows for the six months then ended, in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Yu-Lung, Wu

Fang-Yu, Wang

For and on behalf of PricewaterhouseCoopers, Taiwan
August 12, 2020

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and review 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

	Assets	Notes	June 30, 2020		December 31, 2019		June 30, 2019	
			Amount	%	Amount	%	Amount	%
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 12,538,141	5	\$ 12,023,739	5	\$ 11,657,643	5
1120	Financial assets at fair value through profit or loss-current	6(2)	6,917,327	2	4,679,120	2	3,975,647	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)	12,038	-	27,531	-	28,731	-
1150	Derivative financial assets for hedging-current	6(4)	71,253	-	81,131	-	175,246	-
1190	Other financial assets-current	6(1) and 8	1,872,774	1	1,771,190	1	1,791,601	1
1195	Contract assets-current	6(28)	6,554	-	19,643	-	20,438	-
1201	Notes receivable	6(5), 7 and 8	8,911,777	3	8,307,202	3	9,184,873	4
1202	Accounts receivable	6(5), 7 and 8	131,514,341	49	123,348,962	48	117,271,353	48
1203	Other receivables	7	1,137,204	-	881,921	-	1,207,443	-
1270	Inventories	6(7)	11,841,873	4	13,025,026	5	12,679,079	5
1280	Prepayments	6(8)	7,133,480	3	7,141,104	3	7,098,967	3
1290	Non-current assets held for sale (or disposal group), net		-	-	15,767	-	15,767	-
1310	Reinsurance contract assets, net	6(9)	1,596,112	1	1,286,604	1	1,283,057	-
	Total current assets		<u>183,552,874</u>	<u>68</u>	<u>172,608,940</u>	<u>68</u>	<u>166,389,845</u>	<u>68</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,000,000	-	1,000,000	-	1,000,000	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	8,606,885	3	9,419,496	4	8,763,458	4
1470	Investments accounted for using the equity method	6(10)	15,808,476	6	15,118,829	6	14,828,470	6
1480	Other financial assets-non-current	6(1)	45,343	-	118,925	-	110,402	-
1500	Property, plant and equipment, net	6(11)	46,739,044	17	45,743,695	18	43,488,822	18
1595	Right-of-use assets, net	6(12)	2,247,393	1	2,300,394	1	2,331,725	1
1600	Investment property, net	6(14)	1,839,831	1	1,845,315	1	1,849,901	1
1700	Intangible assets, net	6(15)	1,219,936	1	1,232,870	-	1,207,927	-
1800	Deferred income tax assets, net	6(33)	1,672,025	1	1,460,004	-	1,348,723	1
1900	Other assets	6(5)(9)(16)	5,568,964	2	4,685,587	2	3,651,373	1
	Total non-current assets		<u>84,747,897</u>	<u>32</u>	<u>82,925,115</u>	<u>32</u>	<u>78,580,801</u>	<u>32</u>
1XXX	Total Assets		<u>\$ 268,300,771</u>	<u>100</u>	<u>\$ 255,534,055</u>	<u>100</u>	<u>\$ 244,970,646</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2020, DECEMBER 31, 2019 AND JUNE 30, 2019
(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of June 30, 2020 and 2019 are reviewed, not audited)

	Liabilities and equity	Notes	June 30, 2020		December 31, 2019		June 30, 2019	
			Amount	%	Amount	%	Amount	%
	Current Liabilities							
2110	Short-term loans	6(17)	\$ 51,223,472	19	\$ 61,183,045	24	\$ 64,618,129	26
2120	Short-term notes and bills payable	6(18)	64,174,087	24	53,735,476	21	50,941,925	21
2140	Financial liabilities at fair value through profit or loss-current	6(2)	88,145	-	149,572	-	66,286	-
2150	Derivative financial liabilities for hedging-current	6(4)	149,254	-	112,291	-	5,250	-
2165	Contract liabilities-current	6(28)	1,264,650	1	1,202,758	-	1,008,847	-
2201	Notes payable		586,507	-	708,449	-	681,009	-
2202	Accounts payable	7	11,585,193	4	10,447,079	4	11,076,709	5
2203	Accrued expenses	6(21) and 7	4,227,170	2	5,041,474	2	3,955,973	2
2204	Other payables	7	10,094,728	4	1,501,372	1	8,218,061	3
2250	Commissions payable	7	406,478	-	440,989	-	360,662	-
2260	Due to reinsurance and ceding companies		703,589	-	478,159	-	666,554	-
2270	Claims payable		20,702	-	12,231	-	14,081	-
2310	Current income tax liabilities		2,189,215	1	2,187,265	1	1,824,126	1
2320	Advance receipts		258,739	-	233,269	-	277,988	-
2330	Long-term liabilities-current portion	6(19)(20)	11,826,387	4	7,626,749	3	8,796,618	4
2335	Current lease liabilities	7	400,851	-	430,478	-	596,564	-
2350	Other current liabilities	6(9)(23)(24)	15,535,494	6	14,331,959	6	14,594,452	6
	Total current liabilities		<u>174,734,661</u>	<u>65</u>	<u>159,822,615</u>	<u>62</u>	<u>167,703,234</u>	<u>68</u>
	Non-current liabilities							
2550	Long-term loans	6(20)	3,149,246	1	3,500,851	1	3,488,274	1
2600	Provisions	6(9)(23)	6,195,083	2	5,956,311	2	5,375,914	2
2620	Guarantee deposits received	6(24)	6,341,639	3	6,274,655	3	6,008,007	3
2625	Non-current lease liabilities	7	1,471,977	1	1,492,840	1	1,450,275	1
2630	Deferred income tax liabilities	6(33)	3,076,538	1	2,854,911	1	2,692,931	1
2660	Other liabilities		123	-	23,245	-	65,464	-
	Total non-current liabilities		<u>20,234,606</u>	<u>8</u>	<u>20,102,813</u>	<u>8</u>	<u>19,080,865</u>	<u>8</u>
2XXX	Total liabilities		<u>194,969,267</u>	<u>73</u>	<u>179,925,428</u>	<u>70</u>	<u>186,784,099</u>	<u>76</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(25)						
3110	Common stock		5,461,792	2	5,461,792	2	5,461,792	2
	Capital surplus	6(26)						
3200	Capital surplus		2,818,004	1	2,816,734	1	292,159	-
	Retained earnings	6(27)						
3310	Legal reserve		12,544,333	5	11,350,835	4	11,350,835	5
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		35,235,382	13	37,362,029	15	30,976,805	13
	Other equity							
3400	Other equity		120,718	-	1,213,203	1	848,185	-
31XX	Total equity attributable to shareholders of the parent		<u>56,562,072</u>	<u>21</u>	<u>58,586,436</u>	<u>23</u>	<u>49,311,619</u>	<u>20</u>
32XX	Non-controlling interest		<u>16,769,432</u>	<u>6</u>	<u>17,022,191</u>	<u>7</u>	<u>8,874,928</u>	<u>4</u>
3XXX	Total equity		<u>73,331,504</u>	<u>27</u>	<u>75,608,627</u>	<u>30</u>	<u>58,186,547</u>	<u>24</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 268,300,771</u>	<u>100</u>	<u>\$ 255,534,055</u>	<u>100</u>	<u>\$ 244,970,646</u>	<u>100</u>

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended June 30,				Six months ended June 30,				
		2020		2019		2020		2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
Revenues										
4010	Interest income	6(3)(29) and 7	\$ 2,363,232	4	\$ 2,408,705	4	\$ 4,772,951	4	\$ 4,609,262	5
4020	Premiums revenue	6(30) and 7	1,756,091	3	1,414,111	3	3,423,452	3	2,691,148	3
4040	Reinsurance commission revenue		96,148	-	90,672	-	193,238	-	174,487	-
4050	Fee income		3,194	-	3,043	-	5,591	-	5,639	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	404,150	1	450,597	1	623,025	1	512,678	1
4090	Gain on financial assets (liabilities) at fair value through profit or loss	6(2)	253,572	-	(83,351)	-	60,773	-	224,023	-
4105	Realized gains on financial assets at fair value through other comprehensive income		218,558	-	191,894	-	147,049	-	190,907	-
4160	Net sales revenue	6(28) and 7								
4161	Sales revenue		49,494,492	87	49,216,800	88	99,444,245	87	85,801,676	86
4162	Sales returns		(242,128)	-	(254,718)	-	(482,012)	-	(501,364)	-
4163	Sales discounts and allowances		(1,093,649)	(2)	(1,058,632)	(2)	(2,053,364)	(2)	(1,960,500)	(2)
4170	Rental revenue		3,199,895	6	3,039,021	5	6,423,166	6	6,027,417	6
4180	Service revenue	6(28) and 7	473,563	1	490,521	1	934,492	1	951,412	1
4210	Gains on disposals of property, plant and equipment		12,654	-	3,201	-	21,257	-	6,881	-
4230	Income from investment property	6(14)	32,466	-	31,370	-	65,396	-	64,182	-
4260	Foreign exchange gains		203,316	-	2,814	-	137,475	-	132,853	-
4270	Other income		350,626	1	237,287	-	560,864	-	441,864	-
4256	Reversal gain on expected credit impairment loss of investment		73	-	-	-	74	-	-	-
4245	Gains on using overlay approach of investment	6(2)	(352,931)	(1)	-	-	52,730	-	-	-
4280	Unrealized profit from sales		(32,219)	-	(61,486)	-	(83,159)	-	(57,948)	-
4290	Realized profit from sales		48,845	-	58,873	-	48,845	-	58,873	-
	Total revenues		<u>57,189,948</u>	<u>100</u>	<u>56,180,722</u>	<u>100</u>	<u>114,296,088</u>	<u>100</u>	<u>99,373,490</u>	<u>100</u>
Expenses										
5010	Interest expense	7	(550,719)	(1)	(645,839)	(1)	(960,253)	(1)	(1,073,806)	(1)
5030	Underwriting expenses		(230)	-	(85)	-	(279)	-	(149)	-
5040	Commission expenses	7	(848,111)	(2)	(792,838)	(2)	(1,698,298)	(2)	(1,530,432)	(1)
5050	Claims payment	7	(838,176)	(1)	(621,941)	(1)	(1,706,029)	(2)	(1,223,813)	(1)
5070	Net changes in other insurance liabilities		(152,699)	-	(154,396)	-	(94,280)	-	(221,607)	-
5190	Cost of sales	6(7) and 7	(42,913,162)	(75)	(42,808,205)	(76)	(86,188,087)	(75)	(73,850,109)	(74)
5200	Cost of rental revenue		(2,531,592)	(4)	(2,253,532)	(4)	(5,135,351)	(4)	(4,724,189)	(5)
5210	Cost of services		(295,343)	(1)	(302,879)	(1)	(563,217)	-	(549,036)	(1)
5230	Operating expenses	6(31)(32) and 7								
5231	Selling expenses		(2,270,282)	(4)	(2,402,693)	(4)	(4,225,205)	(4)	(4,527,191)	(5)
5232	General and administrative expenses		(1,332,495)	(2)	(1,404,144)	(3)	(2,680,872)	(2)	(2,591,680)	(3)
5233	Research and development expenses		(17,966)	-	(25,047)	-	(34,799)	-	(46,836)	-
5286	Expected credit impairment loss of investment		-	-	(69)	-	-	-	(100)	-
5287	Expected credit impairment loss of non-investment	12(5)	(339,835)	(1)	(161,078)	-	(710,743)	(1)	(425,145)	-
5240	Loss on disposal of investments		-	-	(11,261)	-	-	-	(15,718)	-
5270	Expenses and losses from investment property	6(14)	(5,996)	-	(8,356)	-	(11,822)	-	(14,265)	-
5275	Loss on using overlay approach of investment		-	-	(12,361)	-	-	-	(245,562)	-
5320	Other expenses		7,733	-	(5,539)	-	(7,345)	-	(27,030)	-
	Total expenses		<u>(52,088,873)</u>	<u>(91)</u>	<u>(51,610,263)</u>	<u>(92)</u>	<u>(104,016,580)</u>	<u>(91)</u>	<u>(91,066,668)</u>	<u>(91)</u>
6100	Income before income tax from continuing operation		<u>5,101,075</u>	<u>9</u>	<u>4,570,459</u>	<u>8</u>	<u>10,279,508</u>	<u>9</u>	<u>8,306,822</u>	<u>9</u>
6200	Income tax expense	6(33)	(1,221,591)	(2)	(1,050,695)	(2)	(2,322,609)	(2)	(1,876,883)	(2)
6500	Profit for the period		<u>\$ 3,879,484</u>	<u>7</u>	<u>\$ 3,519,764</u>	<u>6</u>	<u>\$ 7,956,899</u>	<u>7</u>	<u>\$ 6,429,939</u>	<u>7</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended June 30,				Six months ended June 30,				
		2020		2019		2020		2019		
		Amount	%	Amount	%	Amount	%	Amount	%	
Other comprehensive income (loss) for the period										
Components of other comprehensive income (loss) that may not be reclassified to profit or loss										
6617										
	Gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 158,170	-	\$ 498,319	1	(\$ 853,871)	(1)	\$ 601,865	1
6610	Total components of other comprehensive income that may not be reclassified to profit or loss		<u>158,170</u>	<u>-</u>	<u>498,319</u>	<u>1</u>	<u>(\$ 853,871)</u>	<u>(1)</u>	<u>601,865</u>	<u>1</u>
6650	Components of other comprehensive income (loss) that will be reclassified to profit or loss									
6651	Financial statement translation differences of foreign operations		(184,132)	-	(104,881)	-	(264,176)	-	75,497	-
6659	Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	22,815	-	17,597	-	14,317	-	34,038	-
6661	Gain (loss) on hedging instrument	6(4)	35,894	-	10,320	-	9,219	-	89,425	-
6675	Other comprehensive income reclassified by using overlay approach	6(2)	352,931	-	12,361	-	(52,730)	-	245,562	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income		15,625	-	(6,821)	-	23,519	-	4,325	-
6689	Income tax related to components of other comprehensive income	6(33)	(9,737)	-	(6,622)	-	(3,583)	-	(27,197)	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss		<u>233,396</u>	<u>-</u>	<u>(78,046)</u>	<u>-</u>	<u>(273,434)</u>	<u>-</u>	<u>421,650</u>	<u>-</u>
6600	Other comprehensive income (loss) for the period		<u>\$ 391,566</u>	<u>-</u>	<u>\$ 420,273</u>	<u>1</u>	<u>(\$ 1,127,305)</u>	<u>(1)</u>	<u>\$ 1,023,515</u>	<u>1</u>
6700	Total comprehensive income for the period		<u>\$ 4,271,050</u>	<u>7</u>	<u>\$ 3,940,037</u>	<u>7</u>	<u>\$ 6,829,594</u>	<u>6</u>	<u>\$ 7,453,454</u>	<u>8</u>
Profit attributable to:										
6810	Owners of parent		\$ 3,246,437	6	\$ 3,046,192	5	\$ 6,713,360	6	\$ 5,549,756	5
6820	Non-controlling interests		633,047	1	473,572	1	1,243,539	1	880,183	1
			<u>\$ 3,879,484</u>	<u>7</u>	<u>\$ 3,519,764</u>	<u>6</u>	<u>\$ 7,956,899</u>	<u>7</u>	<u>\$ 6,429,939</u>	<u>6</u>
Comprehensive income attributable to:										
6910	Owners of parent		\$ 3,651,971	6	\$ 3,484,586	6	\$ 5,620,875	5	\$ 6,530,043	7
6920	Non-controlling interests		619,079	1	455,451	1	1,208,719	1	923,411	1
			<u>\$ 4,271,050</u>	<u>7</u>	<u>\$ 3,940,037</u>	<u>7</u>	<u>\$ 6,829,594</u>	<u>6</u>	<u>\$ 7,453,454</u>	<u>8</u>
Earnings per share (in dollars)										
	Basic earnings per share	6(34)	<u>\$ 5.94</u>		<u>\$ 5.58</u>		<u>\$ 12.29</u>		<u>\$ 10.16</u>	
	Diluted earnings per share	6(34)	<u>\$ 5.94</u>		<u>\$ 5.58</u>		<u>\$ 12.28</u>		<u>\$ 10.16</u>	

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Equity attributable to shareholders of the parent													
	Notes	Retained earnings					Other equity					Total	Non-controlling interests	Total equity
		Share capital-common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other comprehensive income reclassified by using overlay approach	Gain (loss) on hedging instruments				
For the six months ended June 30, 2019														
Balance at January 1, 2019		\$ 5,461,792	\$ 292,159	\$ 10,348,282	\$ 381,843	\$ 32,983,752	(\$ 327,983)	\$ 524,244	(\$ 288,026)	(\$ 40,337)	\$49,335,726	\$ 8,900,232	\$58,235,958	
Profit for the period		-	-	-	-	5,549,756	-	-	-	-	5,549,756	880,183	6,429,939	
Other comprehensive income for the period		-	-	-	-	-	61,713	631,394	240,745	46,435	980,287	43,228	1,023,515	
Total comprehensive income		-	-	-	-	5,549,756	61,713	631,394	240,745	46,435	6,530,043	923,411	7,453,454	
Appropriation and distribution of retained earnings:														
Legal reserve		-	-	1,002,553	-	(1,002,553)	-	-	-	-	-	-	-	
Cash dividends	6(27)	-	-	-	-	(6,554,150)	-	-	-	-	(6,554,150)	(948,715)	(7,502,865)	
Balance at June 30, 2019		\$ 5,461,792	\$ 292,159	\$ 11,350,835	\$ 381,843	\$ 30,976,805	(\$ 266,270)	\$ 1,155,638	(\$ 47,281)	\$ 6,098	\$49,311,619	\$ 8,874,928	\$58,186,547	
For the six months ended June 30, 2020														
Balance at January 1, 2020		\$ 5,461,792	\$ 2,816,734	\$ 11,350,835	\$ 381,843	\$ 37,362,029	(\$ 687,128)	\$ 1,791,411	\$ 102,052	\$ 6,868	\$58,586,436	\$17,022,191	\$75,608,627	
Profit for the period		-	-	-	-	6,713,360	-	-	-	-	6,713,360	1,243,539	7,956,899	
Other comprehensive loss for the period		-	-	-	-	-	(200,589)	(832,419)	(53,651)	(5,826)	(1,092,485)	(34,820)	(1,127,305)	
Total comprehensive income (loss)		-	-	-	-	6,713,360	(200,589)	(832,419)	(53,651)	(5,826)	5,620,875	1,208,719	6,829,594	
Legal reserve		-	-	1,193,498	-	(1,193,498)	-	-	-	-	-	-	-	
Cash dividends	6(27)	-	-	-	-	(7,646,509)	-	-	-	-	(7,646,509)	(1,498,588)	(9,145,097)	
Changes in non-controlling interests	6(10)	-	-	-	-	-	-	-	-	-	-	38,380	38,380	
Changes in ownership interests in subsidiaries	6(35)	-	1,270	-	-	-	-	-	-	-	1,270	(1,270)	-	
Balance at June 30, 2020		\$ 5,461,792	\$ 2,818,004	\$ 12,544,333	\$ 381,843	\$ 35,235,382	(\$ 887,717)	\$ 958,992	\$ 48,401	\$ 1,042	\$56,562,072	\$16,769,432	\$73,331,504	

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Six months ended June 30,	
		2020	2019
<u>Cash flows from operating activities</u>			
Consolidated profit before income tax		\$ 10,279,508	\$ 8,306,822
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)	(60,773)	(224,023)
Financial guarantee expense		51,546	64,669
Expected credit impairment loss (gain on reversal) of investment		(74)	100
Expected credit impairment loss of non-investment		710,743	735,723
Depreciation	6(11)(12)(14)(31)	4,636,371	4,392,231
Amortization	6(31)	40,109	45,081
Impairment loss of rental assets	6(11)	79,650	20,212
Net gain on disposal of property, plant and equipment		(21,257)	(6,881)
Share of profit of associates accounted for using the equity method	6(10)	(623,025)	(512,678)
Interest expense		960,253	1,073,806
Interest income	6(29)	(4,772,951)	(4,609,262)
Dividend income		(144,848)	(125,088)
Unrealized profit from sales		83,159	57,948
Realized profit from sales		(48,845)	(58,873)
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		(2,230,165)	266,856
Contract assets		13,089	(1,658)
Notes and accounts receivable		(9,532,243)	(5,996,691)
Other receivables		(272,614)	204,538
Inventories		3,520,263	728,497
Prepayments		18,763	(577,845)
Reinsurance contract assets		(394,579)	(82,845)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(61,427)	47,239
Contract liabilities		61,892	(66,326)
Notes and accounts payable		1,016,172	641,018
Accrued expenses		(770,329)	(886,990)
Other payables		(551,741)	(732,975)
Commission payable		(34,511)	554
Due to reinsurance and ceding companies		225,430	266,586
Claims payable		8,471	1,001
Advance receipts		25,470	3,123
Other current liabilities		1,337,291	1,192,930
Provisions		238,772	377,315
Other liabilities		(23,122)	13,720
Cash inflow generated from operations		3,764,448	4,557,834
Cash dividends received		353,569	283,645
Income tax paid		(2,314,672)	(2,196,807)
Interest received		4,790,282	4,599,115
Interest paid		(1,015,330)	(1,079,211)
Net cash provided by operating activities		<u>5,578,297</u>	<u>6,164,576</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Six months ended June 30,	
		2020	2019
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		(\$ 11,376)	(\$ 2,123)
(Increase) decrease in other financial assets		(28,002)	378,283
Acquisition of investments accounted for using the equity method	6(10)	(333,176)	(20,591)
Acquisition of property, plant and equipment	6(11)	(8,042,503)	(9,390,680)
Proceeds from disposal of property, plant and equipment		235,073	225,386
Acquisition of intangible assets	6(15)	(22,121)	(8,341)
Increase in other assets		(794,544)	(295,069)
Acquisition of investment property	6(14)	(1,161)	(7,022)
Acquisition of right-of-use assets		(27,946)	-
Net cash used in investing activities		(9,025,756)	(9,120,157)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(19)	7,000,000	-
Increase (decrease) in short-term loans	6(36)	(9,820,224)	1,557,537
Increase in short-term notes and bills payable	6(36)	10,438,611	3,070,011
Proceeds from long-term loans	6(36)	900,454	600,757
Repayment of long-term loans	6(36)	(1,250,000)	(350,000)
Changes in non-controlling interests		38,380	-
Repayments of bonds	6(36)	(2,800,000)	-
Repayment of principal portion of lease liability	6(12)	(251,731)	(235,819)
(Decrease) increase in guarantee deposits received	6(36)	(66,772)	361,892
Net cash provided by financing activities		4,188,718	5,004,378
Net effect of changes in foreign currency exchange rates		(226,857)	139,758
Increase in cash and cash equivalents		514,402	2,188,555
Cash and cash equivalents at beginning of period		12,023,739	9,469,088
Cash and cash equivalents at end of period		\$ 12,538,141	\$ 11,657,643

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

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2020 AND 2019

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

(Reviewed, not audited)

1. History and Organization

Ho Tai Motor Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles, and sales of used vehicles and business of property insurance.

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

These consolidated financial statements were reported to the Board of Directors on August 12, 2020.

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 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments 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
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

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

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

None.

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

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

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

IFRS 17, 'Insurance contracts'

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

insurance contracts.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and IAS 34, “Interim financial reporting” as endorsed by the FSC.

(2) Basis of preparation

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- (f) For the six months ended June 30, 2020, the subsidiaries included in the consolidated financial statements except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited and Hoyun International Lease Co., Ltd., which were evaluated and disclosed in accordance with their reviewed financial statements, other subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements. For the six months ended June 30, 2019, the subsidiaries included in the consolidated financial statements except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, Hoyun International Lease Co., Ltd. and HOYUN (Shanghai) Commercial Factoring Co., Ltd., which were evaluated and disclosed in accordance with their reviewed financial statements, other subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tianjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	70.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co.,Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	Note 3
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	70.00	-	-	Note 6
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			June 30, 2020	December 31, 2019	June 30, 2019	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	20.00	20.00	20.00	Note 1
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	65.77	Note 2, 4
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	99.80	99.80	
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	E-commerce platform services of used vehicles	100.00	100.00	100.00	
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co., Ltd.	Retail and wholesale of collections	100.00	100.00	100.00	
Ho Tai Cyber Connection Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	100.00	-	-	Note 8
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	49.18	100.00	100.00	Note 1, 5
Hotai Finance Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	50.82	-	-	Note 5
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	-	-	Note 7
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	

Note 1: The Group holds more than 50% shareholding in the subsidiary.

Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.

Note 3: The investee was newly established in the second quarter of 2019.

Note 4: On December 5, 2019, Hozan Investment Co., Ltd. did not participate in the capital increase raised by Hotai Finance Co., Ltd.. As a result, the shareholding ratio

decreased to 47.84%. On December 9, 2019, Hozan Investment Co., Ltd., sold shares of Hotai Finance Co., Ltd., and the shareholding ratio further decreased to 45.39%.

Note 5: On March 9, 2020, the Board of Directors of the Company's subsidiary, Hoing Mobility Service Corporation, resolved to increase its capital. The subsidiary, Hotai Leasing Co., Ltd., did not acquire shares proportionally to its interest; as a result, its shareholding ratio decreased to 49.18% from 100%. However, the subsidiary, Hotai Finance Co., Ltd. invested \$310 million in Hoing Mobility Service Corporation and its shareholding ratio increased to 50.82%.

Note 6: In February 2020, Hotong Motor Investment Co., Ltd. invested RMB 7 million to establish Nanjing HoZhan Motor Sales and Service Co., Ltd. and acquired a shareholding of 70%.

Note 7: The investee was newly established in the first quarter of 2020.

Note 8: The investee was newly established in the second quarter of 2020.

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

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

E. Significant restrictions: None.

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the non-controlling interest amounted to \$16,769,432, \$17,022,191 and \$8,874,928 respectively. The information of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		June 30, 2020		December 31, 2019	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 10,941,127	54.610%	\$ 11,179,015	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,275,524	33.958%	1,289,539	33.958%

Name of subsidiary	Principal place of business	Non-controlling interest	
		June 30, 2019	
		Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 3,520,965	34.233%
Hotai Leasing Co., Ltd.	Taiwan	1,190,971	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 135,072,308	\$ 128,747,105	\$ 122,104,870
Non-current assets	7,987,180	7,633,810	6,548,956
Current liabilities	(120,343,328)	(113,233,585)	(115,645,667)
Non-current liabilities	(735,154)	(753,064)	(813,024)
Total net assets	\$ 21,981,006	\$ 22,394,266	\$ 12,195,135

	Hotai Leasing Co., Ltd.		
	June 30, 2020	December 31, 2019	June 30, 2019
Current assets	\$ 2,869,610	\$ 2,757,743	\$ 2,583,383
Non-current assets	30,628,850	29,882,403	28,642,444
Current liabilities	(19,576,304)	(18,506,025)	(17,494,266)
Non-current liabilities	(10,165,974)	(10,336,668)	(10,224,374)
Total net assets	<u>\$ 3,756,182</u>	<u>\$ 3,797,453</u>	<u>\$ 3,507,187</u>

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Three months ended June 30,	
	2020	2019
Revenue	\$ 3,466,490	\$ 3,402,566
Profit before income tax	808,670	762,008
Income tax expense	(195,352)	(177,642)
Profit for the period	<u>613,318</u>	<u>584,446</u>
Other comprehensive loss for the period, net of tax	(28,117)	(34,496)
Total comprehensive income for the period	<u>\$ 585,201</u>	<u>\$ 549,950</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 319,834</u>	<u>\$ 192,484</u>
Dividends paid to non-controlling interest	<u>\$ 871,849</u>	<u>\$ 423,193</u>

	Hotai Finance Co., Ltd.	
	Six months ended June 30,	
	2020	2019
Revenue	\$ 6,947,712	\$ 6,632,909
Profit before income tax	1,643,008	1,523,288
Income tax expense	(383,697)	(349,752)
Profit for the period	<u>1,259,311</u>	<u>1,173,536</u>
Other comprehensive (loss) income for the period, net of tax	(76,069)	101,099
Total comprehensive income for the period	<u>\$ 1,183,242</u>	<u>\$ 1,274,635</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 637,318</u>	<u>\$ 416,345</u>
Dividends paid to non-controlling interest	<u>\$ 871,849</u>	<u>\$ 423,193</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 4,215,908	\$ 3,821,821
Profit before income tax	237,854	181,733
Income tax expense	(69,499)	(57,021)
Profit for the period	<u>168,355</u>	<u>124,712</u>
Other comprehensive loss for the period, net of tax	(26,765)	(21,410)
Total comprehensive income for the period	<u>\$ 141,590</u>	<u>\$ 103,302</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 48,081</u>	<u>\$ 35,080</u>
Dividends paid to non-controlling interest	<u>\$ 129,003</u>	<u>\$ 78,184</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Revenue	\$ 8,324,266	\$ 7,525,848
Profit before income tax	500,094	382,903
Income tax expense	(124,251)	(103,483)
Profit for the period	<u>375,843</u>	<u>279,420</u>
Other comprehensive (loss) income for the period, net of tax	(43,370)	13,099
Total comprehensive income for the period	<u>\$ 332,473</u>	<u>\$ 292,519</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 112,901</u>	<u>\$ 99,334</u>
Dividends paid to non-controlling interest	<u>\$ 129,003</u>	<u>\$ 78,184</u>

Statements of cash flows

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Net cash used in operating activities	(\$ 4,612,266)	(\$ 1,522,015)
Net cash used in investing activities	(605,631)	(2,639,585)
Net cash provided by financing activities	5,483,987	3,942,542
Net effect of changes in foreign currency exchange rates	(149,046)	107,105
Increase (decrease) in cash and cash equivalents	117,044	(111,953)
Cash and cash equivalents, beginning of period	<u>373,909</u>	<u>740,164</u>
Cash and cash equivalents, end of period	<u>\$ 490,953</u>	<u>\$ 628,211</u>

	Hotai Leasing Co., Ltd.	
	Six months ended June 30,	
	2020	2019
Net cash provided by operating activities	\$ 6,214,077	\$ 6,663,170
Net cash used in investing activities	(6,849,977)	(6,454,551)
Net cash provided by (used in) financing activities	581,149	(194,459)
(Decrease) increase in cash and cash equivalents	(54,751)	14,160
Cash and cash equivalents, beginning of period	190,323	70,799
Cash and cash equivalents, end of period	\$ 135,572	\$ 84,959

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within "foreign exchange gains or losses".

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average

exchange rates of that period; and

(c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

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

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

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

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. The Group's subsidiary, Hotai Insurance Co., Ltd., could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:

- (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
- (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

- C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.
- D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- E. Subsidiary, Hotai Insurance Co., Ltd., reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:
 - (a) The amount reported in profit or loss for the designated financial assets applying overlay approach; and
 - (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when

there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

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

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

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

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

(b) Financial assets at amortized cost

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

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

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

(13) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

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

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.

(a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.

- (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
 - (c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(15) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

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

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(17) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 60 years
Utility equipment	5 ~ 10 years
Office equipment	1 ~ 20 years
Machinery and equipment	1 ~ 15 years
Leasehold improvements	1 ~ 35 years

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate or the interest rate implicit in the lease. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method

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

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

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

(19) Investment property

- A. An investment property is stated initially at its cost and measured subsequently using the cost model.
- B. The significant improvements, additions and betterments of an item of investment property shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.
- C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 2~60 years. Each part of an item of investment property with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.
- D. Investment property of the Group's subsidiary-Hotai Insurance Co., Ltd. including the office building and land rented in the form of an operating lease are to generate rental income or capital increase or both. Investment property is recognized initially at cost plus transaction costs incurred and subsequently applies cost model measuring at cost net of accumulated depreciation and impairment. Part of the property may be held by the Group and another part generates rental income or capital increase. If the property held by the Group can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

(20) Intangible assets

- A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 2~5 years.

B. Goodwill

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

C. Client relationship

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

(21) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(22) Borrowings

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

(23) Notes and accounts payable

- A. Liabilities for purchases of raw materials, goods or services and notes payables resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

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

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

liabilities held for trading unless they are designated as hedges.

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

(25) Derecognition of financial liabilities

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

(26) Ordinary corporate bonds

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

(27) Financial guarantee contracts

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

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

(28) Non-hedging and embedded derivatives

A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.

B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.

C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(29) Hedge accounting

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

B. The Group designates the hedging relationship as follows:

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

C. Cash flow hedges

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

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

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

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

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
- ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
- iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(30) Provisions

Provisions (provision for warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be

required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. For details of provisions for other insurance liabilities, please refer to Note 4(38).

(31) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

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

(32) Classification of insurance contracts

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

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

(33) Direct insurance income and expenses

A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are

recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.

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

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

(34) Reinsurance contract

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

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

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

(35) Salvage and subrogation

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

(36) Underwriting pools and coinsurance

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

(37) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, “Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance”, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Notes for Strengthening Reserve of Pool Members Residential Earthquake”, “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises” and “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also

applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

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

A. Unearned premium reserve

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

B. Claims reserve

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

C. Special reserve

Special reserves includes “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, nuclear insurance, residential earthquake insurance and commercial earthquake and typhoon flood insurance which are covered by other regulations requiring reserves for them to be recognized under liability, the additional provision for special reserve less income tax should be recognized as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

D. Premium deficiency reserve

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

E. Liability adequacy reserve

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

F. Unqualified ceded reserve

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

Among the reserves above, except for unearned premium reserve for long-term fire insurance

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

(38) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change

occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(39) Share capital

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

(40) Dividends

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

(41) Revenue recognition

A. Sales of goods

- (a) The Group sells 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 Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- (f) Installment sales for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in

installment sales which mainly aims to receive interest income rather than gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period.

B. Service revenue

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

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

(a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(33) and (34).

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

D. Financing components

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

(42) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

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

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

B. Provisions for warranty

In order to enhance customers' confidence on the quality of products, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(23) "Provisions" for more information.

C. Evaluation of allowance for uncollectible accounts

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

D. Insurance liabilities

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

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

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

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

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

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

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

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand and revolving funds	\$ 14,294	\$ 13,248	\$ 17,437
Checking accounts and demand deposits	6,560,820	7,863,543	6,460,739
Cash equivalents			
Time deposits	1,121,810	1,220,947	624,327
Short-term notes and bills	4,841,217	2,926,001	4,555,140
	<u>\$ 12,538,141</u>	<u>\$ 12,023,739</u>	<u>\$ 11,657,643</u>

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

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group presented its long-term time deposits of \$1,654,721, \$1,783,125 and \$1,760,356, respectively, under other financial assets-current and non-current.

C. Of the short-term notes held by the Company's subsidiary, Hotai Insurance Co., Ltd., investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6).

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

<u>Items</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial assets at fair value through profit or loss			
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Domestic and foreign beneficiary certificates	\$ 4,739,062	\$ 2,376,442	\$ 1,946,216
Derivative instruments	7,946	9,346	23,115
Financial instruments	159,010	190,543	190,543
Listed stocks	497,543	703,896	933,888
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,324,986	1,160,929	792,913
Valuation adjustment	128,800	177,984	28,992
	<u>\$ 6,917,327</u>	<u>\$ 4,679,120</u>	<u>\$ 3,975,647</u>

Items	June 30, 2020	December 31, 2019	June 30, 2019
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Corporate bonds	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Financial liabilities at fair value through profit or loss			
Current items:			
Financial liabilities held for trading			
Derivative instruments	\$ 88,145	\$ 149,572	\$ 66,286

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

Items	Three months ended June 30,	
	2020	2019
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 133,042)	(\$ 58,368)
Domestic and foreign beneficiary certificates	98,245	7,299
Listed stocks	65,807	(6,832)
Listed preference share	3,206	149
Exchange Traded Funds	210,767	(25,776)
Corporate bonds	8,589	177
	<u>\$ 253,572</u>	<u>(\$ 83,351)</u>

Items	Six months ended June 30,	
	2020	2019
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 68,610	(\$ 32,607)
Domestic and foreign beneficiary certificates	(27,550)	109,894
Listed stocks	28,456	72,078
Listed preference share	513	1,219
Exchange Traded Funds	(26,411)	64,743
Corporate bonds	17,155	8,696
	<u>\$ 60,773</u>	<u>\$ 224,023</u>

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

	<u>June 30, 2020</u>	
	Contract amount (Notional principal) (in thousands)	Contract period
<u>Derivative instruments</u>		
Current items:		
Forward foreign exchange contracts	USD 378,387	2020.04.13~2020.10.15
Foreign exchange swap contracts	USD 22,800	2020.04.29~2020.08.31

	<u>December 31, 2019</u>	
	Contract amount (Notional principal) (in thousands)	Contract period
<u>Derivative instruments</u>		
Current items:		
Forward foreign exchange contracts	USD 404,846	2019.07.25~2020.05.14
Foreign exchange swap contracts	USD 21,950	2019.11.04~2020.03.02

	<u>June 30, 2019</u>	
	Contract amount (Notional principal) (in thousands)	Contract period
<u>Derivative instruments</u>		
Current items:		
Forward foreign exchange contracts	USD 321,581	2019.04.11~2019.12.13
Foreign exchange swap contracts	USD 20,650	2019.05.10~2019.08.30

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

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

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

E. On June 30, 2020, December 31, 2019 and June 30, 2019, such financial assets designated using overlay approach are as follows:

<u>Items</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 497,543	\$ 703,896	\$ 933,888
Listed preference shares	59,980	59,980	59,980

Items	June 30, 2020	December 31, 2019	June 30, 2019
Exchange Traded Funds	\$ 1,324,986	\$ 1,160,929	\$ 792,913
Domestic and foreign beneficiary certificates	1,127,194	906,494	929,328
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	<u>115,953</u>	<u>168,683</u>	<u>21,633</u>
	<u>\$ 3,625,656</u>	<u>\$ 3,499,982</u>	<u>\$ 3,237,742</u>

For the three months and six months ended June 30, 2020 and 2019, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	Three months ended June 30,	
	2020	2019
Gains recognized in profit or loss under IFRS 9	\$ 475,798	\$ 43,187
Less: Losses recognized in profit or loss under IAS 39	(122,867)	(30,826)
Profit reclassified under overlay approach	<u>\$ 352,931</u>	<u>\$ 12,361</u>
Effect from change in tax	<u>(\$ 1,045)</u>	<u>\$ 4,341</u>
	Six months ended June 30,	
	2020	2019
(Losses)gains recognized in profit or loss under IFRS 9	(\$ 223)	\$ 319,046
Less: Gains(losses) recognized in profit or loss under IAS 39	<u>52,507</u>	<u>(73,484)</u>
(Loss) profit reclassified under overlay approach	<u>(\$ 52,730)</u>	<u>\$ 245,562</u>
Effect from change in tax	<u>\$ 1,026</u>	<u>\$ 4,341</u>

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

(a)

Type of structured entities	Book value at June 30, 2020	Book value at December 31, 2019	Book value at June 30, 2019	Description
Infrastructure fund	<u>\$ 308,589</u>	<u>\$ 305,540</u>	<u>\$ 312,756</u>	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.
Real estate private placement fund	<u>\$ 50,544</u>	<u>\$ 32,367</u>	<u>\$ 14,274</u>	Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

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

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

terms. Please refer to Note 12 for more information.

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

Items	June 30, 2020	December 31, 2019	June 30, 2019
Current items:			
Debt instrument			
Foreign financial bonds	\$ 11,888	\$ 27,197	\$ 28,430
Valuation adjustment (including loss allowance)	150	334	301
	\$ 12,038	\$ 27,531	\$ 28,731
Non-current items:			
Debt instrument			
Government bonds	\$ 371,116	\$ 373,497	\$ 375,939
Corporate bonds	306,036	306,976	307,925
Financial bonds	507,829	506,614	507,441
Foreign corporate and financial bonds	678,665	651,189	634,232
	1,863,646	1,838,276	1,825,537
Valuation adjustment (including loss allowance)	51,805	37,239	31,838
Less: Operation bonds	(300,300)	(300,300)	(300,300)
	1,615,151	1,575,215	1,557,075
Equity instruments			
Listed stocks and unlisted stocks	6,441,741	6,442,009	6,442,835
Valuation adjustment	549,993	1,402,272	763,548
	6,991,734	7,844,281	7,206,383
	\$ 8,606,885	\$ 9,419,496	\$ 8,763,458

A. The Group has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$6,991,734, \$7,844,281 and \$7,206,383, respectively, as at June 30, 2020, December 31, 2019 and June 30, 2019.

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

<u>Items</u>	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 22,016	\$ 17,028
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(75)	(13)
Reclassified due to derecognition	874	582
	<u>\$ 22,815</u>	<u>\$ 17,597</u>
Interest income recognized in profit or loss	<u>\$ 8,313</u>	<u>\$ 9,491</u>

<u>Items</u>	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	\$ 16,584	\$ 32,479
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(65)	(9)
Reclassified due to derecognition	(2,202)	1,568
	<u>\$ 14,317</u>	<u>\$ 34,038</u>
Interest income recognized in profit or loss	<u>\$ 18,344</u>	<u>\$ 19,733</u>

<u>Items</u>	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>\$ 158,170</u>	<u>\$ 498,319</u>

<u>Items</u>	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>(\$ 853,871)</u>	<u>\$ 601,865</u>

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of June 30, 2020, government bonds with par value of \$300,300 were deposited.

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

(4) Hedging financial assets and liabilities

	<u>June 30, 2020</u>		<u>December 31, 2019</u>		<u>June 30, 2019</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges						
<u>Exchange rate risk and interest rate risk</u>						
Cross currency swaps						
	\$	71,253 (\$ 149,254)	\$	81,131 (\$ 112,291)	\$	175,246 (\$ 5,250)

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

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

	<u>June 30, 2020</u>				<u>Six months ended June 30, 2020</u>				
	<u>Notional amount (in thousand dollars)</u>	<u>Contract period</u>	<u>Assets carrying amount</u>	<u>Liabilities carrying amount</u>	<u>Changes in fair value in relation to recognizing hedge ineffectiveness basis</u>	<u>Average exchange rates</u>	<u>Average interest rate</u>	<u>Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss</u>	
Hedging instruments									
Cash flow hedges :									
<u>Exchange rate risk and interest rate risk</u>									
Cross currency swaps transactions	USD	18,000	2019/1/7 ~2021/6/18	\$ 8,588	\$ -	-	6.87	4.35	\$ -
	USD	165,000	2018/4/16 ~2021/9/17	62,665	(149,254)	-	29.20~30.77	0.92~1.18	-

	<u>June 30, 2020</u>	
	<u>Liabilities carrying amount</u>	<u>Valuation on liabilities' carrying amount due to fair value hedges</u>
Hedged items		
Cash flow hedges		
<u>Exchange rates risk and interest rate risk</u>		
Short-term borrowings	\$	5,492,891 (\$ 101,462)

		December 31, 2019				Year ended December 31, 2019			
		Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments									
Cash flow hedges :									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	18,000	2019/1/7 ~2021/6/18	\$ 5,349	\$ -	\$ -	6.87	4.35	\$ -
	USD	200,000	2017/3/13 ~2021/9/17	75,782	(112,291)	-	29.20~30.85	0.92~1.29	-

		December 31, 2019			
		Liabilities carrying amount		Valuation on liabilities' carrying amount due to fair value hedges	

Hedged items

Cash flow hedges

Exchange rates risk and interest rate risk

Short-term borrowings \$ 6,585,672 (\$ 43,680)

		June 30, 2019				Six months ended June 30, 2019			
		Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments									
Cash flow hedges :									
<u>Exchange rate risk and</u>									
<u>Interest rate risk</u>									
Cross currency swaps transactions	USD	18,000	2019/1/7 ~2021/6/18	\$ -	(\$ 5,250)	\$ -	6.87	4.35	\$ -
	USD	200,000	2017/3/13 ~2021/9/17	175,246	-	-	29.20~30.85	0.92~1.29	-

		June 30, 2019			
		Liabilities carrying amount		Valuation on liabilities' carrying amount due to fair value hedges	

Hedged items

Cash flow hedges

Exchange rates risk and interest rate risk

Short-term borrowings \$ 6,613,446 \$ 156,978

C. Cash flow hedges

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Other equity - cash flow hedge reserve</u>		
At January 1	\$ 9,376	(\$ 61,330)
Less: Gains (losses) on hedge effectiveness-amount recognized in other comprehensive income	(26,918)	20,003
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	37,829	69,422
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	(3,058)	(18,810)
At June 30	<u>\$ 17,229</u>	<u>\$ 9,285</u>

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Notes receivable	\$ 2,097,961	\$ 1,581,989	\$ 2,292,231
Installment notes receivable	6,390,126	6,219,543	6,297,363
Accounts receivable	7,915,639	6,566,835	7,418,534
Installment accounts receivable	124,870,378	115,005,470	105,814,032
Lease payments and notes receivable	17,456,142	19,567,803	19,821,147
Premiums receivable	527,411	458,737	604,377
Overdue receivable	<u>241,009</u>	<u>62,418</u>	<u>56,020</u>
	159,498,666	149,462,795	142,303,704
Less: Unrealized interest income	(12,356,270)	(11,362,192)	(10,140,515)
Unearned finance income	(1,844,184)	(2,232,584)	(2,367,443)
Allowance for doubtful accounts	<u>(2,958,596)</u>	<u>(2,677,141)</u>	<u>(2,412,579)</u>
Notes and accounts receivable, net	<u>\$ 142,339,616</u>	<u>\$ 133,190,878</u>	<u>\$ 127,383,167</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2020</u>
Current	<u>\$ 140,426,118</u>	<u>\$ 131,656,164</u>	<u>\$ 126,456,226</u>
Non-current (shown as other assets)	<u>\$ 1,913,498</u>	<u>\$ 1,534,714</u>	<u>\$ 926,941</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to

banks amounted to \$3,506,275, \$4,092,545 and \$4,260,499, respectively. Furthermore, the promissory note for installment accounts receivable pledged as collateral for loans to banks amounted to \$2,119,631, \$1,850,785 and \$2,087,971 as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 152,974,971	\$ 147,712,605	\$ 139,960,340
Up to 30 days	3,670,245	46,189	322,944
31 to ~ 90 days	1,718,337	589,259	683,047
91 to ~ 180 days	566,261	411,053	433,833
Over 180 days	<u>568,852</u>	<u>703,689</u>	<u>903,540</u>
	<u>\$ 159,498,666</u>	<u>\$ 149,462,795</u>	<u>\$ 142,303,704</u>

The above aging analysis was based on past due date.

B. As of June 30, 2020, December 31, 2019 and June 30, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$9,844,675, \$7,999,700 and \$9,586,343, respectively.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Up to 12 months	\$ 49,239,894	\$ 46,216,840	\$ 44,189,416
Over 12 months	<u>82,020,610</u>	<u>75,008,173</u>	<u>67,921,979</u>
	<u>\$ 131,260,504</u>	<u>\$ 121,225,013</u>	<u>\$ 112,111,395</u>

D. Lease payments receivable

Refer to Note 6(13) for more details.

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

(6) Offsetting financial assets and financial liabilities

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

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

June 30, 2020						
Financial assets						
Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)- (e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 1,916,907	\$ -	\$ 1,916,907	\$ -	\$ 1,916,907	\$ -
December 31, 2019						
Financial assets						
Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)- (e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 1,897,937	\$ -	\$ 1,897,937	\$ -	\$ 1,897,937	\$ -
June 30, 2019						
Financial assets						
Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)- (e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 1,553,520	\$ -	\$ 1,553,520	\$ -	\$ 1,553,439	\$ 81
Derivative investments	4,443	-	4,443	23	-	4,420
	\$ 1,557,963	\$ -	\$ 1,557,963	\$ 23	\$ 1,553,439	\$ 4,501
Financial liabilities						
Description	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)- (e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Reverse repurchase agreement	\$ 23	\$ -	\$ 23	\$ 23	\$ -	\$ -

(7) Inventories

	<u>June 30, 2020</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 5,173,504	(\$ 94,228)	\$ 5,079,276
Air conditioner and parts	3,385,653	(338,947)	3,046,706
Other goods	300,396	(8,752)	291,644
Inventory in transit	<u>3,424,247</u>	<u>-</u>	<u>3,424,247</u>
	<u>\$ 12,283,800</u>	<u>(\$ 441,927)</u>	<u>\$ 11,841,873</u>

	<u>December 31, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 8,117,585	(\$ 89,066)	\$ 8,028,519
Air conditioner and parts	2,453,390	(340,093)	2,113,297
Other goods	246,432	(8,897)	237,535
Inventory in transit	<u>2,645,675</u>	<u>-</u>	<u>2,645,675</u>
	<u>\$ 13,463,082</u>	<u>(\$ 438,056)</u>	<u>\$ 13,025,026</u>

	<u>June 30, 2019</u>		
	<u>Cost</u>	<u>Allowance for valuation loss</u>	<u>Book value</u>
Vehicles and parts	\$ 5,588,029	(\$ 76,198)	\$ 5,511,831
Air conditioner and parts	3,870,825	(387,579)	3,483,246
Other goods	620,274	(5,116)	615,158
Inventory in transit	<u>3,068,844</u>	<u>-</u>	<u>3,068,844</u>
	<u>\$ 13,147,972</u>	<u>(\$ 468,893)</u>	<u>\$ 12,679,079</u>

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

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

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 42,913,177	\$ 42,808,944
Gain on reversal of market value decline of inventories	(15)	(739)
	<u>\$ 42,913,162</u>	<u>\$ 42,808,205</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cost of goods sold	\$ 86,184,216	\$ 73,848,917
Loss on market value decline of inventories	3,871	1,192
	<u>\$ 86,188,087</u>	<u>\$ 73,850,109</u>

The reversal of write-down of inventories was recognized due to the partial sale of loss for market price decline and obsolete inventories during the three months ended June 30, 2020 and 2019.

(8) Prepayments

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Prepayments to commissions	\$ 3,103,233	\$ 3,060,537	\$ 2,872,973
Prepayments to suppliers	2,248,035	2,108,374	1,968,370
Offset against business tax payable	688,006	853,909	968,565
Prepaid insurance premiums	411,140	391,733	459,385
Other prepayments	<u>683,066</u>	<u>726,551</u>	<u>829,674</u>
	<u>\$ 7,133,480</u>	<u>\$ 7,141,104</u>	<u>\$ 7,098,967</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Claims recoverable from reinsurers	\$ 124,959	\$ 99,868	\$ 77,916
Due from reinsurance and ceding companies	173,305	77,019	105,021
Reinsurance reserve assets			
-Ceded unearned premium reserve	1,066,956	899,632	935,744
-Ceded claims reserve	819,761	707,719	607,113
Due from reinsurance and ceding companies-overdue	<u>19,659</u>	<u>24,155</u>	<u>11,008</u>
	2,204,640	1,808,393	1,736,802
Less: Loss allowance	<u>(15,925)</u>	<u>(14,258)</u>	<u>(11,095)</u>
	<u>\$ 2,188,715</u>	<u>\$ 1,794,135</u>	<u>\$ 1,725,707</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current	<u>\$ 1,596,112</u>	<u>\$ 1,286,604</u>	<u>\$ 1,283,057</u>
Non-current (shown as other assets)	<u>\$ 592,603</u>	<u>\$ 507,531</u>	<u>\$ 442,650</u>

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

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

	<u>2020</u>	<u>2019</u>
At January 1	\$ 14,258	\$ 11,598
Provision (reversal) during the period	<u>1,667</u>	<u>(503)</u>
At June 30	<u>\$ 15,925</u>	<u>\$ 11,095</u>

C. Details of insurance liabilities are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Unearned premium reserve	\$ 4,953,863	\$ 4,393,809	\$ 4,222,694
Claims reserve	3,303,403	3,091,211	2,798,707
Special reserve	<u>1,907,322</u>	<u>1,913,192</u>	<u>1,912,439</u>
	<u>\$ 10,164,588</u>	<u>\$ 9,398,212</u>	<u>\$ 8,933,840</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current (shown as other current liabilities)	<u>\$ 6,620,193</u>	<u>\$ 5,966,415</u>	<u>\$ 5,529,129</u>
Non-current (shown as provisions)	<u>\$ 3,544,395</u>	<u>\$ 3,431,797</u>	<u>\$ 3,404,711</u>

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

	<u>2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 4,393,809	\$ 899,632	\$ 3,494,177
Provision during the period	4,953,863	1,066,956	3,886,907
Recovery during the period	(4,393,809)	(899,632)	(3,494,177)
At June 30	<u>\$ 4,953,863</u>	<u>\$ 1,066,956</u>	<u>\$ 3,866,907</u>
	<u>2019</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,567,154	\$ 727,955	\$ 2,839,199
Provision during the period	4,222,694	935,744	3,286,950
Recovery during the period	(3,567,154)	(727,955)	(2,839,199)
At June 30	<u>\$ 4,222,694</u>	<u>\$ 935,744</u>	<u>\$ 3,286,950</u>

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

(a) As of June 30, 2020, December 31, 2019 and June 30, 2019, details of claims reserve and ceded claims reserve are as follows:

	<u>June 30, 2020</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,641,477	\$ 293,130	\$ 1,348,347
Incurred but not reported	<u>1,661,926</u>	<u>526,631</u>	<u>1,135,295</u>
	<u>\$ 3,303,403</u>	<u>\$ 819,761</u>	<u>\$ 2,483,642</u>
	<u>December 31, 2019</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,741,618	\$ 298,444	\$ 1,443,174
Incurred but not reported	<u>1,349,593</u>	<u>409,275</u>	<u>940,318</u>
	<u>\$ 3,091,211</u>	<u>\$ 707,719</u>	<u>\$ 2,383,492</u>

	June 30, 2019		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 1,544,052	\$ 262,511	\$ 1,281,541
Incurred but not reported	<u>1,254,655</u>	<u>344,602</u>	<u>910,053</u>
	<u>\$ 2,798,707</u>	<u>\$ 607,113</u>	<u>\$ 2,191,594</u>

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

	2020		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,091,211	\$ 707,719	\$ 2,383,492
Provision during the period	3,303,403	819,761	2,483,642
Recovery during the period	(3,091,211)	(707,719)	(2,383,492)
At June 30	<u>\$ 3,303,403</u>	<u>\$ 819,761</u>	<u>\$ 2,483,642</u>

	2019		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 2,601,984	\$ 634,445	\$ 1,967,539
Provision during the period	2,798,707	607,113	2,191,594
Recovery during the period	(2,601,984)	(634,445)	(1,967,539)
At June 30	<u>\$ 2,798,707</u>	<u>\$ 607,113</u>	<u>\$ 2,191,594</u>

F. Movement of special reserve is as follows:

	<u>2020</u>	<u>2019</u>
At January 1	\$ 1,913,192	\$ 1,914,888
Recovery during the period	(5,870)	(2,449)
At June 30	<u>\$ 1,907,322</u>	<u>\$ 1,912,439</u>

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

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

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Decrease in special reserve under liability	\$ 381,780	\$ 382,576	\$ 383,373
Increase in special reserve under retained earnings	316,997	317,634	322,094

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Increase in net income before tax	\$ 398	\$ 398
Increase in earnings per share before tax	0.02	0.02
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Increase in net loss (income) before tax	\$ 796	\$ 796
Increase in losses (earnings) per share before tax	0.04	0.04

H. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities as of June 30, 2020, December 31, 2019 and June 30, 2019.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the six months ended June 30, 2020 and 2019.

(10) Investments accounted for using the equity method

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Kuozui Motors, Ltd.	\$ 4,390,567	\$ 4,315,317	\$ 4,376,132
Central Motor Co., Ltd.	2,615,324	2,528,177	2,507,595
Tau Miao Motor Co., Ltd.	1,558,693	1,501,798	1,475,734
Kau Du Automobile Co., Ltd.	1,350,459	1,361,522	1,330,405
Kuotu Motor Co., Ltd.	1,197,624	1,124,145	1,069,511
Taipei Toyota Motor Co., Ltd.	1,148,491	1,078,783	1,050,475
Nan Du Motor Co., Ltd.	1,010,041	1,009,110	947,587
Lang Yang Toyota Motor Co., Ltd.	290,930	293,845	286,454
Formosa Flexible Packaging Corp.	363,286	357,798	271,448
Shi-Ho Screw Industrial Co., Ltd.	121,213	124,467	122,921
Yokohama Tire Taiwan Co., Ltd., etc.	1,761,848	1,423,867	1,390,208
	<u>\$ 15,808,476</u>	<u>\$ 15,118,829</u>	<u>\$ 14,828,470</u>

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amount of the Group's individually immaterial associates amounted to \$15,808,476, \$15,118,829 and \$14,828,470, respectively.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Comprehensive income for the period	<u>\$ 388,526</u>	<u>\$ 443,776</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Comprehensive income for the period	<u>\$ 599,505</u>	<u>\$ 517,003</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to \$404,150, \$450,597, \$623,025 and \$512,678 for the three months and six months ended June 30, 2020 and 2019, respectively, and were valued based on the investees' financial statements that were not reviewed by independent accountants.

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

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

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

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

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

H. On July 31, 2019, the Group 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.

I. In March 2019 and May 2019, the Group proportionately participated in the capital increase of Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd. for cash amounting to \$6,893 and \$13,698, respectively.

(11) Property, plant and equipment

	2020											
	Land	Prepayment for real estate	Buildings and structures	Utility equipment		Office equipment		Machinery and equipment		Leasehold improvements	Construction in progress	Total
				Owner- occupied	Lease	Owner- occupied	Lease (Note)	Owner- occupied	Lease (Note)			
<u>At January 1, 2020</u>												
Cost	\$ 9,264,310	\$ 26,165	\$ 5,273,598	\$ 138,715	\$ 59,990	\$ 1,743,954	\$ 840,370	\$ 543,681	\$ 42,579,797	\$ 687,803	\$ 473,146	\$ 61,631,529
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	-	(2,018,166)	(135,119)	(59,717)	(1,087,640)	(422,696)	(282,413)	(12,731,451)	(481,828)	-	(17,245,880)
	<u>\$ 10,583,427</u>	<u>\$ 26,165</u>	<u>\$ 3,267,511</u>	<u>\$ 3,596</u>	<u>\$ 273</u>	<u>\$ 656,314</u>	<u>\$ 417,674</u>	<u>\$ 261,268</u>	<u>\$ 29,848,346</u>	<u>\$ 205,975</u>	<u>\$ 473,146</u>	<u>\$ 45,743,695</u>
<u>2020</u>												
Opening net book amount as of January 1	\$ 10,583,427	\$ 26,165	\$ 3,267,511	\$ 3,596	\$ 273	\$ 656,314	\$ 417,674	\$ 261,268	\$ 29,848,346	\$ 205,975	\$ 473,146	\$ 45,743,695
Additions	-	107,074	20,918	938	-	206,565	103,823	12,838	7,349,096	15,720	225,531	8,042,503
Disposals	-	-	-	-	-	(57,014)	(6,085)	(517)	(149,775)	(425)	-	(213,816)
Reclassifications	11,404	-	12,986	-	-	6,537	(1,278)	(239)	(2,335,832)	120	(23,857)	(2,330,159)
Depreciation	-	-	(77,170)	(444)	(22)	(96,409)	(108,038)	(26,793)	(4,019,161)	(29,119)	-	(4,357,156)
Impairment loss	-	-	-	-	-	-	1,468	-	(81,118)	-	-	(79,650)
Net exchange differences	-	-	(33,920)	(21)	-	(7,550)	(1,020)	(3,382)	(19,560)	(180)	(740)	(66,373)
Closing net book amount as of June 30	<u>\$ 10,594,831</u>	<u>\$ 133,239</u>	<u>\$ 3,190,325</u>	<u>\$ 4,069</u>	<u>\$ 251</u>	<u>\$ 708,443</u>	<u>\$ 406,544</u>	<u>\$ 243,175</u>	<u>\$ 30,591,996</u>	<u>\$ 192,091</u>	<u>\$ 674,080</u>	<u>\$ 46,739,044</u>
<u>At June 30, 2020</u>												
Cost	\$ 9,275,714	\$ 133,239	\$ 5,270,427	\$ 139,586	\$ 59,990	\$ 1,847,950	\$ 812,490	\$ 558,126	\$ 43,756,152	\$ 702,565	\$ 674,080	\$ 63,230,319
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	-	(2,092,181)	(135,517)	(59,739)	(1,139,507)	(405,946)	(314,951)	(13,164,156)	(510,474)	-	(17,849,321)
	<u>\$ 10,594,831</u>	<u>\$ 133,239</u>	<u>\$ 3,190,325</u>	<u>\$ 4,069</u>	<u>\$ 251</u>	<u>\$ 708,443</u>	<u>\$ 406,544</u>	<u>\$ 243,175</u>	<u>\$ 30,591,996</u>	<u>\$ 192,091</u>	<u>\$ 674,080</u>	<u>\$ 46,739,044</u>

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

	2019											Total
	Land	Prepayment for real estate	Buildings and structures	Utility equipment		Office equipment		Machinery and equipment		Leasehold improvements	Construction in progress	
				Owner- occupied	Lease	Owner- occupied	Lease (Note)	Owner- occupied	Lease (Note)			
<u>At January 1, 2019</u>												
Cost	\$ 8,560,423	\$ 88,000	\$ 5,299,693	\$ 138,177	\$ 59,990	\$ 1,662,102	\$ 814,182	\$ 461,420	\$ 39,955,966	\$ 673,824	\$ 156,026	\$ 57,869,803
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	-	(1,871,293)	(134,220)	(59,673)	(1,078,795)	(404,363)	(238,800)	(13,116,130)	(445,318)	-	(17,375,442)
	<u>\$ 9,879,540</u>	<u>\$ 88,000</u>	<u>\$ 3,440,479</u>	<u>\$ 3,957</u>	<u>\$ 317</u>	<u>\$ 583,307</u>	<u>\$ 409,819</u>	<u>\$ 222,620</u>	<u>\$ 26,839,836</u>	<u>\$ 228,506</u>	<u>\$ 156,026</u>	<u>\$ 41,852,407</u>
<u>2019</u>												
Opening net book amount as of January 1	\$ 9,879,540	\$ 88,000	\$ 3,440,479	\$ 3,957	\$ 317	\$ 583,307	\$ 409,819	\$ 222,620	\$ 26,839,836	\$ 228,506	\$ 156,026	\$ 41,852,407
Additions	42,331	20,340	52,208	36	-	140,572	101,448	20,049	8,845,160	39,269	129,267	9,390,680
Disposals	-	-	(92)	-	-	(28,620)	(17,116)	(3,295)	(148,883)	(20,499)	-	(218,505)
Reclassifications	88,000	(88,000)	82,225	-	-	13,854	(10,632)	(63,146)	(3,379,290)	-	(60,684)	(3,417,673)
Depreciation	-	-	(82,694)	(487)	(22)	(85,745)	(99,556)	(19,776)	(3,809,838)	(30,229)	-	(4,128,347)
Impairment loss	-	-	-	-	-	-	11,445	-	(31,657)	-	-	(20,212)
Net exchange differences	-	-	14,290	4	-	2,325	381	1,948	11,153	128	243	30,472
Closing net book amount as of June 30	<u>\$ 10,009,871</u>	<u>\$ 20,340</u>	<u>\$ 3,506,416</u>	<u>\$ 3,510</u>	<u>\$ 295</u>	<u>\$ 625,693</u>	<u>\$ 395,789</u>	<u>\$ 158,400</u>	<u>\$ 28,326,481</u>	<u>\$ 217,175</u>	<u>\$ 224,852</u>	<u>\$ 43,488,822</u>
<u>At June 30, 2019</u>												
Cost	\$ 8,690,754	\$ 20,340	\$ 5,458,082	\$ 138,235	\$ 59,990	\$ 1,738,108	\$ 762,972	\$ 420,668	\$ 40,967,381	\$ 675,871	\$ 224,852	\$ 59,157,253
Revaluation gain	1,345,967	-	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	-	(1,963,745)	(134,725)	(59,695)	(1,112,415)	(367,183)	(262,268)	(12,640,900)	(458,696)	-	(17,026,477)
	<u>\$ 10,009,871</u>	<u>\$ 20,340</u>	<u>\$ 3,506,416</u>	<u>\$ 3,510</u>	<u>\$ 295</u>	<u>\$ 625,693</u>	<u>\$ 395,789</u>	<u>\$ 158,400</u>	<u>\$ 28,326,481</u>	<u>\$ 217,175</u>	<u>\$ 224,852</u>	<u>\$ 43,488,822</u>

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

(12) Leasing arrangements - lessee

A. The Group leases various assets including land, buildings and structures and office equipment. Rental contracts are typically made for periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

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

<u>Carrying Amount</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Land	\$ 746,747	\$ 797,637	\$ 739,545
Buildings and structures	1,492,754	1,498,544	1,586,079
Machinery and equipment	4,931	-	-
Office equipment	<u>2,961</u>	<u>4,213</u>	<u>6,101</u>
	<u>\$ 2,247,393</u>	<u>\$ 2,300,394</u>	<u>\$ 2,331,725</u>

	<u>Three months ended June 30, 2020</u>	<u>Three months ended June 30, 2019</u>
<u>Depreciation charge</u>		
Land	\$ 31,230	\$ 30,383
Buildings and structures	98,514	95,929
Machinery and equipment	275	-
Office equipment	<u>521</u>	<u>1,239</u>
	<u>\$ 130,540</u>	<u>\$ 127,551</u>

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
<u>Depreciation charge</u>		
Land	\$ 77,393	\$ 52,729
Buildings and structures	193,467	192,900
Machinery and equipment	458	-
Office equipment	<u>1,252</u>	<u>2,447</u>
	<u>\$ 272,570</u>	<u>\$ 248,076</u>

C. For the three months and six months ended June 30, 2020 and 2019, the additions to right-of-use assets amounted to \$168,628, \$11,104, \$255,236 and \$43,618, respectively.

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

	<u>Three months ended June 30, 2020</u>	<u>Three months ended June 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,807	\$ 12,963
Expense on short-term lease contracts and leases of low-value assets	355	75,700

	<u>Six months ended</u> <u>June 30, 2020</u>	<u>Six months ended</u> <u>June 30, 2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 23,545	\$ 26,496
Expense on short-term lease contracts and leases of low-value assets	11,645	89,201

E. For the three months and six months ended June 30, 2020 and 2019, the Group's total cash outflow for lease (including short-term lease contracts and leases of low-value assets) amounted to \$154,149, \$211,330, \$286,921 and \$351,516, respectively.

(13) Leasing arrangements - lessor

A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 and 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

	<u>Three months ended</u> <u>June 30, 2020</u>	<u>Three months ended</u> <u>June 30, 2019</u>
Finance income from the net investment in the finance lease	\$ 493,569	\$ 654,230

	<u>Six months ended</u> <u>June 30, 2020</u>	<u>Six months ended</u> <u>June 30, 2019</u>
Finance income from the net investment in the finance lease	\$ 1,069,068	\$ 1,234,582

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Less than 1 year	\$ 11,591,173	\$ 12,766,789	\$ 13,165,548
Between 1 and 2 years	4,611,911	5,256,626	5,093,333
Between 2 and 3 years	1,057,075	1,325,712	1,326,968
Between 3 to 4 years	128,283	169,648	171,780
Between 4 to 5 years	19,157	37,795	63,454
More than 6 years	-	124	64
	<u>\$ 17,407,599</u>	<u>\$ 19,556,694</u>	<u>\$ 19,821,147</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
	<u>Non-current</u>	<u>Non-current</u>	<u>Non-current</u>
Undiscounted lease payments	\$ 17,407,599	\$ 19,556,694	\$ 19,821,147
Unearned finance income	(1,844,184)	(2,232,584)	(2,367,433)
Net investment in the lease	<u>\$ 15,563,415</u>	<u>\$ 17,324,110</u>	<u>\$ 17,453,704</u>

E. For the three months and six months ended June 30, 2020 and 2019, the Group recognized rent income in the amount of \$3,199,895, \$3,039,021, \$6,423,166 and \$6,027,417, respectively, based on the operating lease agreement, which does not include variable lease payments.

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Less than 1 year	\$ 9,960,544	\$ 9,505,592	\$ 9,414,600
Between 1 and 2 years	6,275,911	5,899,366	5,861,861
Between 2 and 3 years	2,835,576	2,670,459	2,517,324
Between 3 to 4 years	820,914	725,099	674,489
More than 5 years	<u>291,398</u>	<u>255,479</u>	<u>230,007</u>
	<u>\$ 20,184,343</u>	<u>\$ 19,059,995</u>	<u>\$ 18,698,281</u>

(14) Investment property

	<u>2020</u>		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2020</u>			
Cost	\$ 1,212,157	\$ 600,882	\$ 1,813,039
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(295,518)	(295,518)
	<u>\$ 1,539,951</u>	<u>\$ 305,364</u>	<u>\$ 1,845,315</u>
<u>2020</u>			
Opening net book amount as of January 1	\$ 1,539,951	\$ 305,364	\$ 1,845,315
Additions	-	1,161	1,161
Depreciation	-	(6,645)	(6,645)
Closing net book amount as of June 30	<u>\$ 1,539,951</u>	<u>\$ 299,880</u>	<u>\$ 1,839,831</u>
<u>At June 30, 2020</u>			
Cost	\$ 1,212,157	\$ 602,043	\$ 1,814,200
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(302,163)	(302,163)
	<u>\$ 1,539,951</u>	<u>\$ 299,880</u>	<u>\$ 1,839,831</u>

	2019		
	Land	Buildings and structures	Total
<u>At January 1, 2019</u>			
Cost	\$ 1,212,157	\$ 590,202	\$ 1,802,359
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(283,694)	(283,694)
	<u>\$ 1,539,951</u>	<u>\$ 306,508</u>	<u>\$ 1,846,459</u>
<u>2019</u>			
Opening net book amount as of January 1	\$ 1,539,951	\$ 306,508	\$ 1,846,459
Additions	-	7,022	7,022
Reclassifications	-	12,228	12,228
Depreciation	-	(15,808)	(15,808)
Closing net book amount as of June 30	<u>\$ 1,539,951</u>	<u>\$ 309,950</u>	<u>\$ 1,849,901</u>
<u>At June 30, 2019</u>			
Cost	\$ 1,212,157	\$ 593,762	\$ 1,805,919
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(283,812)	(283,812)
	<u>\$ 1,539,951</u>	<u>\$ 309,950</u>	<u>\$ 1,849,901</u>

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

	Three months ended June 30,	
	2020	2019
Rental income from investment property	<u>\$ 32,466</u>	<u>\$ 31,370</u>
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	<u>\$ 5,996</u>	<u>\$ 8,356</u>
	<u>\$ 26,470</u>	<u>\$ 23,014</u>
	Six months ended June 30,	
	2020	2019
Rental income from investment property	<u>\$ 65,396</u>	<u>\$ 64,182</u>
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	<u>\$ 11,822</u>	<u>\$ 14,265</u>
	<u>\$ 53,574</u>	<u>\$ 49,917</u>

B. The fair value of the investment property held by the Group was \$2,183,856, \$2,249,864 and \$2,189,441 as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively, based on the market value method, except for Hotai Insurance Co., Ltd., who appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. It also prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under “Regulations on Real Estate Appraisal” and take the result as the

basis of the adjustments for financial statement disclosures. The valuations based on the aforementioned method were categorized within Level 3 in the fair value hierarchy as assessed and its main input was capitalization rate.

(15) Intangible assets

	2020			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 213,693	\$ 1,403,122
Accumulated amortization and impairment	-	(51,979)	(118,273)	(170,252)
	<u>\$ 662,323</u>	<u>\$ 475,127</u>	<u>\$ 95,420</u>	<u>\$ 1,232,870</u>
<u>2020</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 475,127	\$ 95,420	\$ 1,232,870
Additions-acquired separately	-	-	22,121	22,121
Amortization	-	(8,785)	(26,270)	(35,055)
Closing net book amount as of June 30	<u>\$ 662,323</u>	<u>\$ 466,342</u>	<u>\$ 91,271</u>	<u>\$ 1,219,936</u>
<u>At June 30, 2020</u>				
Cost	\$ 662,323	\$ 527,106	\$ 235,987	\$ 1,425,416
Accumulated amortization and impairment	-	(60,764)	(144,716)	(205,480)
	<u>\$ 662,323</u>	<u>\$ 466,342</u>	<u>\$ 91,271</u>	<u>\$ 1,219,936</u>
<u>2019</u>				
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Computer software</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 662,323	\$ 527,106	\$ 144,315	\$ 1,333,744
Accumulated amortization and impairment	-	(34,408)	(74,479)	(108,887)
	<u>\$ 662,323</u>	<u>\$ 492,698</u>	<u>\$ 69,836</u>	<u>\$ 1,224,857</u>
<u>2019</u>				
Opening net book amount as of January 1	\$ 662,323	\$ 492,698	\$ 69,836	\$ 1,224,857
Additions-acquired separately	-	-	8,341	8,341
Amortization	-	(8,785)	(16,486)	(25,271)
Closing net book amount as of June 30	<u>\$ 662,323</u>	<u>\$ 483,913</u>	<u>\$ 61,691</u>	<u>\$ 1,207,927</u>
<u>At June 30, 2019</u>				
Cost	\$ 662,323	\$ 527,106	\$ 154,264	\$ 1,343,693
Accumulated amortization and impairment	-	(43,193)	(92,573)	(135,766)
	<u>\$ 662,323</u>	<u>\$ 483,913</u>	<u>\$ 61,691</u>	<u>\$ 1,207,927</u>

Details of amortization on intangible assets are as follows:

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Administrative expenses	<u>\$ 17,698</u>	<u>\$ 12,903</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Administrative expenses	<u>\$ 35,055</u>	<u>\$ 25,271</u>

(16) Other assets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 2,416,341	\$ 2,044,790	\$ 1,379,423
Reinsurance contract assets	592,603	507,531	442,650
Operation bonds	300,300	300,300	300,300
Guarantee deposits paid	395,977	358,442	313,534
Prepayments for business facilities	19,728	58,471	-
Others	1,844,015	1,416,053	1,215,466
	<u>\$ 5,568,964</u>	<u>\$ 4,685,587</u>	<u>\$ 3,651,373</u>

(17) Short-term loans

<u>Type of loans</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Bank loans			
Unsecured loans	\$ 44,862,053	\$ 56,245,258	\$ 57,125,868
Mortgage loans	5,200,000	3,600,000	5,930,000
Mid-term syndicated loans for working capital	1,161,419	1,337,787	1,562,261
	<u>\$ 51,223,472</u>	<u>\$ 61,183,045</u>	<u>\$ 64,618,129</u>
Annual interest rate	<u>0.70%~5.30%</u>	<u>0.78%~5.30%</u>	<u>0.73%~5.44%</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the details of loans are as follows:

- A. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 380 million with 3 financial institutions including DBS Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from November 9, 2017 to November 9, 2020). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- B. The subsidiary, Hotai Finance Co., Ltd.'s commitments to the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods are summarized as follows:
- (a) Current ratio: At least 90%
 - (b) Ratio of self-owned capital: At least 7%
 - (c) Interest coverage ratio: At least 120%
 - (d) Net value: At least \$3.5 billion
- C. The subsidiary, Hoyun International Lease Co., Ltd.'s commitments to the abovementioned syndicated loans and partial loans from other financial institutions during the contract periods are summarized as follows:
- (a) Net assets: At least RMB 330 million.
 - (b) Debt/equity ratio: Lower than 800%.
 - (c) Interest coverage ratio: At least 115%.

(d) Non performing loans ratio: Lower than 3%.

(18) Short-term notes and bills payable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Commercial paper payable	\$ 64,210,000	\$ 53,770,000	\$ 50,980,000
Less: Unamortized discount	(35,913)	(34,524)	(38,075)
	<u>\$ 64,174,087</u>	<u>\$ 53,735,476</u>	<u>\$ 50,941,925</u>
Annual interest rate	<u>0.52%~1.19%</u>	<u>0.68%~1.19%</u>	<u>0.65%~1.19%</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Bonds payable	\$ 9,400,000	\$ 5,200,000	\$ 5,200,000

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

- A. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- B. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was \$2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. The first unsecured ordinary corporate bonds was issued in 2016. The total amount was \$2,800,000, the coupon rate was 0.93% with a 3-year period, the outstanding period was from January 11, 2017 to January 11, 2020, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

(20) Long-term loans

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Long-term bank borrowings						
US dollar denominated borrowings	USD 3,000 thousand; borrowing period is from September 2018 to July 2021; interest is repayable quarterly	1.50%~3.61%	None	\$ 88,921	\$ 89,852	\$ 93,176
	USD 3,500 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.68%~3.78%	None	103,742	104,828	108,705
	USD 1,300 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.68%~3.75%	None	38,533	38,936	40,376
Secured borrowings	From December 2019 to December 2024	1.20%	Land (please refer to Note 8)	200,000	250,000	-
	From January 2019 to January 2022	1.18%	Notes receivable for lease payments (please refer to Note 8)	150,000	150,000	150,000
Commercial papers payable	From July 2017 to June 2023	0.94%~1.18%	Notes receivable for lease payments (please refer to Note 8)	5,000,000	-	-
	From January 2017 to January 2022	0.96%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	5,300,000	-
	From July 2016 to January 2021	0.92%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	-	6,700,000
Less: unamortized discounts				(5,563)	(6,016)	(7,365)
				5,575,633	5,927,600	7,084,892
Less: long-term liabilities, current portion				(2,426,387)	(2,426,749)	(3,596,618)
				<u>\$ 3,149,246</u>	<u>\$ 3,500,851</u>	<u>\$ 3,488,274</u>
Interest rate range				<u>0.94%~3.78%</u>	<u>0.96%~3.33%</u>	<u>0.92%~4.68%</u>

As of June 30, 2020, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 2,460,000
1 to 2 years	2,311,196
2 to 3 years	730,000
3 to 4 years	80,000
	<u>\$ 5,581,196</u>

(21) Accrued expenses

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Wages and salaries payable	\$ 1,439,040	\$ 1,898,455	\$ 1,202,684
Dealer bonus payable	464,882	578,644	258,734
Remuneration payable to employees	455,724	641,497	393,040
Remuneration payable to directors	165,485	283,244	135,415
Interest payable	108,673	152,648	192,551
Others	1,593,366	1,486,986	1,773,549
	<u>\$ 4,227,170</u>	<u>\$ 5,041,474</u>	<u>\$ 3,955,973</u>

(22) Pensions

Defined contribution pension plan

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

B. The Company’s mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland China subsidiaries have no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the three months and six months ended June 30, 2020 and 2019, were \$49,174, \$74,534, \$125,498 and \$146,182, respectively.

(23) Provisions

	<u>2020</u>	<u>2019</u>
At January 1	\$ 3,393,067	\$ 2,584,955
Additional provisions during the period	771,947	804,118
Used during the period	(393,901)	(524,957)
Unused amounts reversed	(107,040)	(42,870)
At June 30	<u>\$ 3,664,073</u>	<u>\$ 2,821,246</u>

Analysis of provision for warranty is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current (shown as other current liabilities)	\$ 1,013,387	\$ 868,555	\$ 850,043
Non-current	<u>\$ 2,650,686</u>	<u>\$ 2,524,512</u>	<u>\$ 1,971,203</u>

The Group provides warranties on vehicles and air conditioners sold. Provision for warranty is estimated based on historical warranty data of vehicles, air conditioners and related products.

(24) Guarantee deposits received

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Deposits received for car rentals	\$ 12,944,372	\$ 13,036,277	\$ 12,862,273
Others	<u>48,820</u>	<u>23,687</u>	<u>27,909</u>
	<u>\$ 12,993,192</u>	<u>\$ 13,059,964</u>	<u>\$ 12,890,182</u>

Analysis of Guarantee deposits received for warranty is as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Current (shown as other current liabilities)	<u>\$ 6,651,553</u>	<u>\$ 6,785,309</u>	<u>\$ 6,882,175</u>
Non-current	<u>\$ 6,341,639</u>	<u>\$ 6,274,655</u>	<u>\$ 6,008,007</u>

(25) Share capital

As of June 30, 2020, 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, 2020 and June 30, 2020 was both 546,179,184 shares.

(26) Capital surplus

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

(27) Retained earnings

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

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

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

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

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

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

D. On June 19, 2020 and June 20, 2019, the stockholders resolved that total dividends for the distribution of earnings for the years of 2019 and 2018 were \$7,646,509 (\$14 per share) and \$6,554,150 (\$12 per share), respectively.

E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(32).

(28) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

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

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Goods category:		
Sales of goods	\$ 48,158,715	\$ 47,903,450
Others	<u>473,563</u>	<u>490,521</u>
	<u>\$ 48,632,278</u>	<u>\$ 48,393,971</u>
Timing of revenue recognition		
At a point in time	\$ 47,967,465	\$ 47,817,087
Over time	<u>664,813</u>	<u>576,884</u>
	<u>\$ 48,632,278</u>	<u>\$ 48,393,971</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Goods category:		
Sales of goods	\$ 96,908,869	\$ 83,339,812
Others	<u>934,492</u>	<u>951,412</u>
	<u>\$ 97,843,361</u>	<u>\$ 84,291,224</u>
Timing of revenue recognition		
At a point in time	\$ 96,613,192	\$ 83,155,806
Over time	<u>1,230,169</u>	<u>1,135,418</u>
	<u>\$ 97,843,361</u>	<u>\$ 84,291,224</u>

B. Contract assets and liabilities

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Contract assets:			
Contract assets- construction contracts	\$ 6,554	\$ 19,643	\$ 20,438
Contract liabilities:			
Contract liabilities- sales of goods	\$ 1,257,976	\$ 1,194,976	\$ 1,000,744
Contract liabilities-customer loyalty programmers	<u>6,674</u>	<u>7,782</u>	<u>8,103</u>
	<u>\$ 1,264,650</u>	<u>\$ 1,202,758</u>	<u>\$ 1,008,847</u>

For the six months ended June 30, 2020 and 2019, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$740,911 and \$723,687, respectively.

(29) Interest income

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Installment revenue	\$ 1,807,605	\$ 1,679,646
Finance leasing revenue	493,569	654,230
Interest from deposits and short-term notes	41,414	47,551
Other interest income	<u>20,644</u>	<u>27,278</u>
	<u>\$ 2,363,232</u>	<u>\$ 2,408,705</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Installment revenue	\$ 3,580,996	\$ 3,255,869
Finance leasing revenue	1,069,068	1,234,582
Interest from deposits and short-term notes	85,759	80,063
Other interest income	<u>37,128</u>	<u>38,748</u>
	<u>\$ 4,772,951</u>	<u>\$ 4,609,262</u>

(30) Premium

Details of premium are as follows:

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Written premium	\$ 2,311,728	\$ 2,061,735
Reinsurance premium	116,977	74,634
Less: Reinsurance expense	(495,087)	(429,768)
Net change in unearned premiums reserve	<u>(177,527)</u>	<u>(292,490)</u>
	<u>\$ 1,756,091</u>	<u>\$ 1,414,111</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Written premium	\$ 4,768,200	\$ 4,001,572
Reinsurance premium	210,658	151,728
Less: Reinsurance expense	(1,162,676)	(1,014,401)
Net change in unearned premiums reserve	<u>(392,730)</u>	<u>(447,751)</u>
	<u>\$ 3,423,452</u>	<u>\$ 2,691,148</u>

(31) Expenses by nature

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 2,227,880	\$ 2,157,474
Depreciation	2,308,020	2,177,174
Amortization	<u>20,214</u>	<u>20,370</u>
	<u>\$ 4,556,114</u>	<u>\$ 4,355,018</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Employee benefit expense	\$ 4,402,504	\$ 4,064,926
Depreciation	4,636,371	4,392,231
Amortization	40,109	45,081
	<u>\$ 9,078,984</u>	<u>\$ 8,502,238</u>

(32) Employee benefit expense

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Wages and salaries	\$ 1,972,461	\$ 1,874,567
Labor and health insurance fees	110,025	112,788
Pension costs	49,174	74,534
Other personnel expenses	96,220	95,584
	<u>\$ 2,227,800</u>	<u>\$ 2,157,473</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Wages and salaries	\$ 3,829,952	\$ 3,487,860
Labor and health insurance fees	243,575	239,883
Pension costs	125,498	146,182
Other personnel expenses	203,479	191,101
	<u>\$ 4,402,504</u>	<u>\$ 4,064,926</u>

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

B. For the three months and six months ended June 30, 2020 and 2019, employees' remuneration was accrued at \$40,609, \$37,617, \$82,742 and \$67,708, respectively; while directors' remuneration was accrued at \$81,219, \$75,232, \$165,485 and \$135,415, 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 six months ended June 30, 2020.

Employees' compensation and directors' remuneration of 2019 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2019 financial statements. The employees' compensation will be distributed in cash.

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

(33) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax expense recognized in the current period	\$ 1,049,175	\$ 966,754
Tax on undistributed surplus earnings	195,803	150,260
Prior year income tax overestimation	(9,517)	(22,364)
Total current tax	<u>1,235,461</u>	<u>1,094,650</u>
Deferred tax:		
Origination and reversal of temporary differences	(13,870)	(43,955)
Total deferred tax	<u>(13,870)</u>	<u>(43,955)</u>
Income tax expense	<u>\$ 1,221,591</u>	<u>\$ 1,050,695</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Current tax:		
Current tax expense recognized in the current period	\$ 2,130,299	\$ 1,836,882
Tax on undistributed surplus earnings	195,803	150,260
Prior year income tax overestimation	(9,517)	(16,445)
Total current tax	<u>2,316,585</u>	<u>1,970,697</u>
Deferred tax:		
Origination and reversal of temporary differences	6,024	(93,814)
Total deferred tax	<u>6,024</u>	<u>(93,814)</u>
Income tax expense	<u>\$ 2,322,609</u>	<u>\$ 1,876,883</u>

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

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash flow hedges	<u>\$ 12,593</u>	<u>\$ 2,235</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(\$ 1,811)</u>	<u>\$ 46</u>
Changes in fair value of financial assets designated using overlay approach	<u>(\$ 1,045)</u>	<u>\$ 4,341</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Cash flow hedges	<u>\$ 10,309</u>	<u>\$ 18,810</u>
Changes in fair value of financial assets at fair value through other comprehensive income	<u>(\$ 7,752)</u>	<u>\$ 4,046</u>
Changes in fair value of financial assets designated using overlay approach	<u>\$ 1,026</u>	<u>\$ 4,341</u>

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(34) Earnings per share

	<u>Three months ended June 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	<u>\$ 3,246,437</u>	<u>546,179</u>	<u>\$ 5.94</u>

<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,246,437	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	32	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 3,246,437</u>	<u>546,211</u>	<u>\$ 5.94</u>

	<u>Three months ended June 30, 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 common shareholders of the parent	<u>\$ 3,046,192</u>	<u>546,179</u>	<u>\$ 5.58</u>

<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 3,046,192	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	-	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	<u>\$ 3,046,192</u>	<u>546,179</u>	<u>\$ 5.58</u>

	<u>Six months ended June 30, 2020</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 6,713,360	546,179	\$ 12.29
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 6,713,360	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	425	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 6,713,360	546,604	\$ 12.28

	<u>Six months ended June 30, 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 common shareholders of the parent	\$ 5,549,756	546,179	\$ 10.16
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 5,549,756	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	292	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 5,549,756	546,471	\$ 10.16

(35) Transactions with non-controlling interest

The Group did not participate in the capital increase raised by a subsidiary proportionally to its interest to the subsidiary

A. Subsidiary, Hoing Mobility Service Co., Ltd., of the Group increased its capital by issuing new shares on March 18, 2020. The Group did not acquire shares proportionally to its interest. As a result, the Group decreased its share interest by 10.49%. This transaction resulted in a decrease in the non-controlling interest by \$1,270 and an increase in the equity attributable to owners of the parent by \$1,270.

B. The Group did not conduct any transaction with non-controlling interest in 2019.

(36) Changes in liabilities from financing activities

	<u>Short-term loans</u>	<u>Short-term notes and bills payable</u>	<u>Long-term liabilities- current portion</u>	<u>Long-term loans</u>	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Dividend payable</u>	<u>Liabilities from financing activities-gross</u>
January 1, 2020	\$ 61,183,045	\$ 53,735,476	\$ 7,626,749	\$ 3,500,851	\$13,059,964	\$1,923,318	\$ 7,251	\$ 141,036,654
Changes in cash flow from financing activities	(9,820,224)	10,438,611	4,200,000	(349,546)	(66,772)	(251,731)	-	4,150,338
Impact of changes in foreign exchange rate	(83,289)	-	-	(2,421)	-	(26,048)	-	(111,758)
Changes in other non-cash items	(56,060)	-	(362)	362	-	227,289	9,137,841	9,309,070
June 30, 2020	\$ 51,223,472	\$ 64,174,087	\$ 11,826,387	\$ 3,149,246	\$12,993,192	\$1,872,828	\$ 9,145,092	\$ 154,384,304

	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1, 2019	\$ 62,900,378	\$ 47,871,914	\$ 7,947,522	\$ 4,086,168	\$12,528,290	\$2,274,081	\$ 7,456	\$ 137,615,809
Changes in cash flow from financing activities	1,557,357	3,070,011	-	250,757	361,892	(235,819)	-	5,004,378
Impact of changes in foreign exchange rate	97,257	-	-	445	-	11,503	-	109,205
Changes in other non-cash items	62,957	-	849,096	(849,096)	-	(2,926)	7,501,905	7,561,936
June 30, 2019	<u>\$ 64,618,129</u>	<u>\$ 50,941,925</u>	<u>\$ 8,796,618</u>	<u>\$ 3,488,274</u>	<u>\$12,890,182</u>	<u>\$2,046,839</u>	<u>\$7,509,361</u>	<u>\$ 150,291,328</u>

7. Related Party Transactions

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

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

Names of related parties	Relationship with the Group
Chang Guan Logistics Co., Ltd.	Associates
ChongQing Yudu Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Tung Tai Asset Management Co., Ltd.	Associates
Tung Yu Motor Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Associates
Chang Guan Logistics Co., Ltd.	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Kuotu Motor Co., Ltd. (Kuotu)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miao Motor Co., Ltd. (Tau Miao)	Associates
Central Motor Co., Ltd. (Central Motor)	Associates
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
Hozao Enterprise Co., Ltd.	Associates
Hohung Motors Co., Ltd.	Associates
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
The Company's Directors, president, vice president and others	Key management

(2) Significant related party transactions and balances

A. Revenue

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(a) Interest income:		
-Associates	\$ 12,573	\$ 14,759
-Entities controlled by key management	<u>3</u>	<u>3</u>
	<u>\$ 12,576</u>	<u>\$ 14,762</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest income:		
-Associates	\$ 28,412	\$ 24,999
-Entities controlled by key management	<u>5</u>	<u>5</u>
	<u>\$ 28,417</u>	<u>\$ 25,004</u>

Interest income is the interest between transaction dates and collection dates due to the collection of sales transaction is based on agreed collection period. Starting from March 23, 2020, the annual interest rate was adjusted to 2.025%. For the six months ended June 30, 2019, the annual interest rate was 2.275%.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(b) Premium:		
-Associates	\$ 10,227	\$ 14,300
-Entities controlled by key management	<u>303</u>	<u>88</u>
	<u>\$ 10,530</u>	<u>\$ 14,388</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Premium:		
-Associates	\$ 21,729	\$ 26,623
-Entities controlled by key management	<u>379</u>	<u>848</u>
	<u>\$ 22,108</u>	<u>\$ 27,471</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(c) Sales revenue:		
-Associates		
Central Motor	\$ 6,508,182	\$ 6,688,461
Tau Miao	5,930,192	6,237,522
Taipei Motor	5,057,666	4,933,890
Kuotu	4,928,260	4,956,478
Others	9,742,558	10,231,900
-Entities controlled by key management	<u>30,095</u>	<u>60,726</u>
	<u>\$ 32,196,953</u>	<u>\$ 33,108,977</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Sales revenue:		
-Associates		
Central Motor	\$ 13,956,996	\$ 11,254,996
Tau Miao	12,694,218	10,399,294
Taipei Motor	10,514,617	8,385,474
Kuotu	10,436,652	8,820,490
Others	20,623,253	17,109,331
-Entities controlled by key management	<u>56,271</u>	<u>161,570</u>
	<u>\$ 68,282,457</u>	<u>\$ 56,131,155</u>

Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(d) Rental revenue:		
-Associates	\$ 28,028	\$ 26,972
-Entities controlled by key management	<u>2,440</u>	<u>2,099</u>
	<u>\$ 30,468</u>	<u>\$ 29,071</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental revenue:		
-Associates	\$ 54,960	\$ 54,206
-Entities controlled by key management	<u>4,875</u>	<u>3,499</u>
	<u>\$ 59,835</u>	<u>\$ 57,705</u>

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

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(e) Service revenue:		
Service sales:		
-Associates	\$ 7,692	\$ 12,128
-Entities controlled by key management	6,665	4,915
Contracted operating revenue:		
-Associates	<u>4,458</u>	<u>5,201</u>
	<u>\$ 18,815</u>	<u>\$ 22,244</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Service revenue:		
Service sales:		
-Associates	\$ 17,592	\$ 19,182
-Entities controlled by key management	13,580	9,829
Contracted operating revenue:		
-Associates	<u>8,263</u>	<u>7,832</u>
	<u>\$ 39,435</u>	<u>\$ 36,843</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(f) Subsidy income for price difference from installments:		
-Associates	<u>\$ 75,218</u>	<u>\$ 45,397</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Subsidy income for price difference from installments:		
-Associates	<u>\$ 134,894</u>	<u>\$ 101,874</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(g) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 50,600	\$ 44,112
-Entities controlled by key management		
TMAP	71,743	180,331
Others	<u>759</u>	<u>861</u>
	<u>\$ 123,102</u>	<u>\$ 225,304</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 98,543	\$ 107,732
-Entities controlled by key management		
TMAP	151,687	363,671
Others	<u>1,105</u>	<u>1,614</u>
	<u>\$ 251,335</u>	<u>\$ 473,017</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(h) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 24,704	\$ 21,847
Others	28,680	36,215
-Entities controlled by key management		
TMC	14,607	15,382
Others	<u>4,877</u>	<u>6,173</u>
	<u>\$ 72,868</u>	<u>\$ 78,617</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuotu	\$ 49,394	\$ 29,573
Others	59,471	55,211
-Entities controlled by key management		
TMC	67,870	35,165
Others	<u>4,877</u>	<u>5,173</u>
	<u>\$ 181,612</u>	<u>\$ 125,122</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(i) Distribution income (shown as deductions to freight):		
-Associates	\$ 5,872	\$ 6,910
-Entities controlled by key management	<u>-</u>	<u>-</u>
	<u>\$ 5,872</u>	<u>\$ 6,910</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Distribution income (shown as deductions to freight):		
-Associates	\$ 10,958	\$ 10,606
-Entities controlled by key management	<u>-</u>	<u>45</u>
	<u>\$ 10,958</u>	<u>\$ 10,651</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(j) Miscellaneous income:		
-Associates		
Kuotu	\$ 31,235	\$ 32,533
Kuozui	11,496	21,499
Others	26,096	24,347
-Entities controlled by key management	<u>29,584</u>	<u>31,519</u>
	<u>\$ 98,411</u>	<u>\$ 109,898</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Miscellaneous income:		
-Associates		
Kuotu	\$ 52,955	\$ 48,800
Kuozui	24,676	41,309
Others	43,407	39,882
-Entities controlled by key management	<u>53,074</u>	<u>55,985</u>
	<u>\$ 174,112</u>	<u>\$ 185,976</u>

B. Expenditures

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(a) Interest expense:		
-Associates		
Kuozui	\$ 3,341	\$ 4,968
Others	<u>4</u>	<u>-</u>
	<u>\$ 3,345</u>	<u>\$ 4,968</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Interest expense:		
-Associates		
Kuozui	\$ 8,450	\$ 8,855
Others	<u>6</u>	<u>1</u>
	<u>\$ 8,467</u>	<u>\$ 8,856</u>

The interest expense is paid for interest arising from purchases between transaction dates and payment dates. Starting from March 23, 2020, the annual interest rate was adjusted to

1.625%. For the six months ended June 30, 2019, the annual interest rate was 1.875%.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(b) Purchases of goods:		
-Associates		
Kuozui	\$ 10,901,130	\$ 13,455,507
Others	263,016	253,561
-Entities controlled by key management		
TMC	14,163,392	11,898,028
Others	<u>5,190,910</u>	<u>4,546,639</u>
	<u>\$ 30,518,448</u>	<u>\$ 30,153,735</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Purchases of goods:		
-Associates		
Kuozui	\$ 21,603,989	\$ 23,238,609
Others	503,357	466,163
-Entities controlled by key management		
TMC	26,277,975	20,734,420
Others	<u>9,380,178</u>	<u>8,906,136</u>
	<u>\$ 57,765,499</u>	<u>\$ 53,345,328</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 5 of Note 13(1) Significant transactions information.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(c) Warranty cost:		
-Associates		
Central Motor	\$ 21,294	\$ 38,573
Tau Miao	17,331	36,377
Kuotu	16,474	31,308
Kau Du	12,717	21,955
Nan Du	13,123	23,493
Others	15,823	28,773
-Entities controlled by key management	<u>462</u>	<u>796</u>
	<u>\$ 97,224</u>	<u>\$ 181,725</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Warranty cost:		
-Associates		
Central Motor	\$ 42,890	\$ 71,780
Tau Miao	33,802	63,135
Kuotu	33,111	53,389
Kau Du	25,933	43,009
Nan Du	24,710	44,160
Others	28,530	46,257
-Entities controlled by key management	<u>662</u>	<u>852</u>
	<u>\$ 189,638</u>	<u>\$ 322,582</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(d) Advertisement expense:		
-Associates	\$ 4,112	\$ 1,467
-Entities controlled by key management	<u>517</u>	<u>8,154</u>
	<u>\$ 4,629</u>	<u>\$ 9,621</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Advertisement expense:		
-Associates	\$ 7,203	\$ 2,398
-Entities controlled by key management	<u>517</u>	<u>9,997</u>
	<u>\$ 7,720</u>	<u>\$ 12,395</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(e) Freight:		
-Associates		
Fan Tai	\$ 39,705	\$ 54,460
Yi Tai	35,080	30,517
Others	<u>515</u>	<u>1,328</u>
	<u>\$ 75,300</u>	<u>\$ 86,305</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Freight:		
-Associates		
Fan Tai	\$ 84,737	\$ 87,587
Yi Tai	69,199	55,441
Others	<u>1,173</u>	<u>2,560</u>
	<u>\$ 155,109</u>	<u>\$ 145,588</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(f) Insurance claim payment:		
-Associates	\$ 2,181	\$ 3,672
-Entities controlled by key management	<u>10</u>	<u>23</u>
	<u>\$ 2,191</u>	<u>\$ 3,695</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Insurance claim payment:		
-Associates	\$ 5,842	\$ 7,797
-Entities controlled by key management	<u>27</u>	<u>71</u>
	<u>\$ 5,869</u>	<u>\$ 7,868</u>
	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(g) Commission expense:		
-Entities controlled by key management		
Ho An	<u>\$ 215,556</u>	<u>\$ 178,811</u>
	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Commission expense:		
-Entities controlled by key management		
Ho An	<u>\$ 433,318</u>	<u>\$ 330,771</u>

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
(h) Others:		
-Associates		
Kuotu	\$ 2,180,356	\$ 1,327,327
Central Motor	1,582,508	1,390,567
Kau Du	1,364,845	1,272,421
Tau Miao	1,310,044	1,139,463
Taipei Motor	1,156,151	997,288
Nan Du	1,132,959	1,171,327
Others	<u>121,322</u>	<u>168,499</u>
	<u>\$ 8,848,185</u>	<u>\$ 7,466,892</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Others:		
-Associates		
Kuotu	\$ 3,988,667	\$ 2,369,237
Central Motor	3,109,443	2,775,016
Kau Du	2,693,984	2,462,230
Tau Miao	2,503,860	2,488,190
Taipei Motor	2,240,850	1,924,452
Nan Du	2,165,522	2,151,036
Others	<u>284,486</u>	<u>308,422</u>
	<u>\$ 16,986,812</u>	<u>\$ 14,478,583</u>

As described in Note 4(41), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 5 of Note 13(1) significant transactions information.

C. Receivables from (payables to) related parties

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
(a) Receivables from related parties:			
-Associates	\$ 4,040,240	\$ 2,729,614	\$ 3,293,501
-Entities controlled by key management	<u>12,324</u>	<u>13,142</u>	<u>132,056</u>
	<u>\$ 4,052,564</u>	<u>\$ 2,742,756</u>	<u>\$ 3,425,557</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
(b) Other receivables from related parties:			
-Associates	\$ 149,584	\$ 133,499	\$ 157,049
-Entities controlled by key management	<u>4,573</u>	<u>5,343</u>	<u>3,865</u>
	<u>\$ 154,157</u>	<u>\$ 138,842</u>	<u>\$ 160,914</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
(c) Accounts payable:			
-Associates			
Kuozui	\$ 1,052,534	\$ 1,191,910	\$ 1,036,060
Others	734,404	517,784	754,981
-Entities controlled by key management			
TMC	5,375,142	4,786,371	4,372,830
Others	<u>358,793</u>	<u>340,089</u>	<u>459,702</u>
	<u>\$ 7,520,873</u>	<u>\$ 6,836,154</u>	<u>\$ 6,623,573</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
(d) Accrued expenses:			
-Associates	\$ 190,717	\$ 543,996	\$ 203,865
-Entities controlled by key management	<u>82</u>	<u>217</u>	<u>45</u>
	<u>\$ 190,799</u>	<u>\$ 544,213</u>	<u>\$ 203,910</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	<u>\$ 67,890</u>	<u>\$ 60,553</u>	<u>\$ 51,704</u>
D. Prepayments to suppliers			
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Entities controlled by key management	<u>\$ 297,312</u>	<u>\$ 244,497</u>	<u>4 269,709</u>

E. Property transactions

Acquisition of rental assets and equipment

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
-Associates		
Kuotu	\$ 790,265	\$ 711,697
Taipei Motor	357,337	351,533
Central Motor	278,100	256,169
Tau Miao	271,874	255,394
Kau Du	210,979	215,325
Others	214,478	203,839
-Entities controlled by key management	<u>2,650</u>	<u>3,933</u>
	<u>\$ 2,125,683</u>	<u>\$ 1,997,890</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
-Associates		
Kuotu	\$ 1,307,152	\$ 1,279,915
Taipei Motor	603,680	608,748
Central Motor	512,422	497,974
Tau Miao	409,838	473,630
Kau Du	354,335	358,226
Others	339,754	369,084
-Entities controlled by key management	<u>2,650</u>	<u>6,701</u>
	<u>\$ 3,529,831</u>	<u>\$ 3,594,278</u>

F. Leasing arrangements - lessee

- (a) The Company and subsidiaries entered into the lease agreement with related parties based on the market price and the rent is paid on a monthly basis according to the agreement.
- (b) On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets by \$138,034.

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental expense:		
- Associates	\$ 1,855	\$ 1,738
- Entities controlled by key management		
Ho Yu	<u>3,744</u>	<u>3,776</u>
	<u>\$ 5,629</u>	<u>\$ 5,514</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Rental expense:		
- Associates	\$ 3,392	\$ 3,293
- Entities controlled by key management		
Ho Yu	<u>7,549</u>	<u>7,533</u>
	<u>\$ 10,941</u>	<u>\$ 10,826</u>

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

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
- Entities controlled by key management			
Ho Yu	\$ 95,220	\$ 104,709	\$ 114,132
- Associates	<u>4,607</u>	<u>7,928</u>	<u>11,236</u>
	<u>\$ 99,827</u>	<u>\$ 112,637</u>	<u>\$ 125,368</u>

(3) Key management remuneration

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 102,203	\$ 99,934
Post-employment benefits	<u>30</u>	<u>2,700</u>
Total	<u>\$ 102,233</u>	<u>\$ 102,634</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Salaries and other short-term employee benefits	\$ 208,601	\$ 184,214
Post-employment benefits	<u>60</u>	<u>2,700</u>
Total	<u>\$ 208,661</u>	<u>\$ 186,914</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>	<u>Purpose</u>
Notes and accounts receivable	\$ 5,625,906	\$ 5,943,330	\$ 6,348,470	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 1)	300,300	300,300	300,300	Operation bonds
Restricted assets (Note 2)				
-Demand and time deposits	310,018	186,996	192,036	Short-term borrowings, performance guarantee and issuance of L/C (Note 3)
-Land	<u>543,133</u>	<u>543,133</u>	<u>-</u>	Long-term borrowings
	<u>\$ 6,779,357</u>	<u>\$ 6,973,759</u>	<u>\$ 6,840,806</u>	
Transactions not listed in the balance sheet				
-Notes receivable for rent	<u>\$ 4,539,588</u>	<u>\$ 4,981,325</u>	<u>\$ 5,246,777</u>	Long-term and short-term borrowings and commercial papers payable

Note 1: Shown as 'other assets'.

Note 2: Shown as 'other financial assets-current' and 'other financial assets-non-current'.

Note 3: As of June 30, 2020, December 31, 2019 and June 30, 2019 the certificates of deposit amounting to \$10,525, \$6,107 and \$6,325, respectively, were pledged to the financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Details of operating lease agreements are shown in Note 6(13)5.

(2) Significant contracts signed by the Group as of June 30, 2020 are summarized as follows:

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
<u>The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2019 to December 31, 2021	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2016 to June 30, 2021 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 1998 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
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.
<u>The Company</u>			
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
<u>Chang Yuan Motor Co., Ltd.</u>			
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
<u>Toyota Material Handling Taiwan Ltd.</u>			
Distributor agreement	Toyota Industries Corporation	April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

A. On August 12, 2020, the Board of Directors of the Company resolved to participate in the capital increase raised by Ho Xing International Automobile Co., Ltd. in the amount of \$0.5 billion.

B. On August 7, 2020, the Company's subsidiary, Hotai Insurance Co., Ltd. entered into a construction contract in the amount of \$998,800 with Xu Yuan Construction Co., Ltd. which was commissioned to build the Company's headquarters on an owner-occupied land.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders. Information on the capital management policy that the Group's subsidiary, Hotai Insurance Co., Ltd., made based on the Insurance Law of the Republic of China is provided in Note 12(12).

(2) Financial instruments

A. Financial instruments by category

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 7,917,327	\$ 5,679,120	\$ 4,975,647
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	6,991,734	7,844,281	7,206,383
Qualifying equity instrument	1,627,189	1,602,746	1,585,806
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	12,538,141	12,023,739	11,657,643
Notes receivable	8,911,777	8,307,202	9,184,873
Accounts receivable	131,514,341	123,348,962	117,271,353
Long-term notes and accounts receivable	1,913,498	1,534,714	926,941
Other receivables	1,137,204	881,921	1,207,443
Guarantee deposits paid	696,277	658,742	613,834
Other financial assets	1,918,117	1,890,115	1,902,003
	<u>\$ 175,165,605</u>	<u>\$ 163,771,542</u>	<u>\$ 156,531,926</u>
Derivative financial assets for hedging	<u>\$ 71,253</u>	<u>\$ 81,131</u>	<u>\$ 175,246</u>

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 88,145	\$ 149,572	\$ 66,286
Financial liabilities at amortized cost			
Short-term loans	51,223,472	61,183,045	64,618,129
Short-term notes and bills payable	64,174,087	53,735,476	90,941,925
Notes payable	586,507	708,449	681,009
Accounts payable	11,585,193	10,447,079	11,076,709
Accrued expenses	4,227,170	5,041,474	3,955,973
Other payables	10,094,728	1,501,372	8,218,061
Commission payable	406,478	440,989	360,662
Corporate bonds payable (including current portion)	9,400,000	5,200,000	5,200,000
Long-term borrowings (including current portion)	5,575,633	5,927,600	7,084,892
Guarantee deposits received	12,993,192	13,059,964	12,890,182
Other financial liabilities	73,330	81,187	84,027
	<u>\$ 170,427,935</u>	<u>\$ 157,476,207</u>	<u>\$ 165,177,855</u>
Lease liabilities	<u>\$ 1,872,828</u>	<u>\$ 1,923,318</u>	<u>\$ 2,046,839</u>
Financial liabilities for hedging	<u>\$ 149,254</u>	<u>\$ 112,291</u>	<u>\$ 5,250</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(4).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). After taking into consideration the use of cross currency swap contracts, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2020			December 31, 2019		
	Foreign currency amount	Exchange rate	Book value	Foreign currency amount	Exchange rate	Book value
	(In thousands)			(In thousands)		
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD	59,596	29.6300	\$	1,765,829	USD 52,504 29.9800 \$ 1,574,068
JPY:NTD	JPY	776,360	0.2751		213,577	JPY 198,379 0.2760 54,753
RMB:NTD	CNY	9,283	4.1868		38,866	CNY 2,016 4.2933 8,657
USD:RMB	USD	4,434	7.0770		131,379	USD 10,502 6.9830 314,850
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD	423,086	29.6300	\$	12,536,038	USD 439,309 29.9800 \$ 13,170,477
JPY:NTD	JPY	44,257	0.2751		12,175	JPY 14,558 0.2760 4,018
RMB:NTD	CNY	11,683	4.1868		48,914	CNY 5,712 4.2933 11,643
USD:RMB	USD	56,800	7.0770		1,682,984	USD 84,750 6.9830 2,540,805

		June 30, 2019		
		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	15,432	31.0600	\$ 479,318
JPY:NTD	JPY	204,327	0.2886	58,969
RMB:NTD	CNY	6,077	4.5178	27,455
USD:RMB	USD	-	6.8750	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	193,386	31.0600	\$ 6,006,569
JPY:NTD	JPY	6,937	0.2886	2,002
RMB:NTD	CNY	719	4.5178	3,248
USD:RMB	USD	137,750	6.8750	4,278,515

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

- v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and six months ended June 30, 2020 and 2019, amounted to \$203,316, \$2,814, \$137,475 and \$132,853, respectively.
- vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	<u>Six months ended June 30, 2020</u>			<u>Six months ended June 30, 2019</u>		
	<u>Sensitivity analysis</u>			<u>Sensitivity analysis</u>		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive income</u>	<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%	\$ 17,658	\$ -	1%	\$ 4,793	\$ -
JPY:NTD	1%	2,136	-	1%	590	-
RMB:NTD	1%	389	-	1%	275	-
USD:NTD	1%	1,314	-	1%	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	125,360	-	1%	60,066	-
JPY:NTD	1%	122	-	1%	20	-
RMB:NTD	1%	489	-	1%	7	-
USD:RMB (Note)	1%	16,836	-	1%	42,785	-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic

quasi money market fund and listed stocks which are influenced by fluctuation in market price.

- ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.
- iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.
- v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the six months ended June 30, 2020 and 2019 would have increased/decreased by \$44,096 and \$116,024, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of June 30, 2020, December 31, 2019 and June 30, 2019, HFC

has financial instruments with off-balance-sheet credit risk amounting to \$7,627,447, \$8,360,262 and \$8,916,288, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$216,112, \$296,378 and \$321,372, respectively. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as ‘other current liabilities’.

- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
- (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are past due over 90 days and are not expected to be recovered, the default has occurred.
- vi. The Group classified accounts receivable and contract assets based on customers’ default and used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. Not including the subsidiaries, Hotai Finance Co., Ltd., Hoyun International Lease Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$36,512.
- viii. Subsidiary, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd. used forecastability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. As of June 30, 2020, December 31, 2019 and June 30, 2019, the provision matrix is as follows:

	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
June 30, 2020							
Total book value	\$ 145,324,544	\$ 562,171	\$ 214,315	\$ 219,742	\$ 148,257	\$ 584,023	\$ 147,053,052
Loss allowance	\$ 1,694,529	\$ 251,768	\$ 161,668	\$ 188,268	\$ 139,306	\$ 458,608	\$ 2,894,147
December 31, 2019							
Total book value	\$ 137,916,988	\$ 403,011	\$ 170,399	\$ 156,666	\$ 124,677	\$ 758,881	\$ 139,530,622
Loss allowance	\$ 1,446,261	\$ 176,595	\$ 122,457	\$ 131,784	\$ 115,194	\$ 633,465	\$ 2,625,756
June 30, 2019							
Total book value	\$ 128,997,417	\$ 380,834	\$ 193,768	\$ 167,847	\$ 113,372	\$ 859,359	\$ 130,712,597
Loss allowance	\$ 1,123,218	\$ 129,012	\$ 126,987	\$ 147,188	\$ 105,157	\$ 733,944	\$ 2,365,506

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of June 30, 2020, December 31, 2019 and June 30, 2019 is provided in Note 12(5)A.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	<u>2020</u>	<u>2019</u>
	<u>Receivables</u>	<u>Receivables</u>
At January 1	\$ 2,677,141	\$ 2,116,783
Provision for impairment	993,933	735,220
Write-offs	(681,152)	(439,314)
Others	(31,326)	(83)
At June 30	<u>\$ 2,958,596</u>	<u>\$ 2,412,579</u>

Note : Including all the Group's consolidated entities.

For the six months ended June 30, 2020 and 2019, gain on recoverable bad debts amounted to \$283,206 and \$310,578, respectively, presented as a deduction item to expected credit loss.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.
- ii. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group's unused credit line amounted to \$76,353,916, \$73,319,879 and \$61,991,380, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

June 30, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 40,187,991	\$ 6,799,511	\$ 4,903,494
Short-term notes and bills payable	52,586,568	4,693,781	6,893,738
Notes payable	586,507	-	-
Accounts payable	11,585,193	-	-
Accrued expenses	4,227,170	-	-
Other payables	10,094,728	-	-
Commission payable	406,478	-	-
Lease liabilities	464,223	302,943	1,406,429
Bonds payable	-	2,400,000	7,000,000
Long-term loans (including current portion)	2,460,000	2,311,196	810,000

Non-derivative financial liabilities:

December 31, 2019

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 61,527,869	\$ 100,871	\$ 17,329
Short-term notes and bills payable	39,553,442	10,087,847	4,094,187
Notes payable	708,449	-	-
Accounts payable	10,447,079	-	-
Accrued expenses	5,041,474	-	-
Other payables	1,501,372	-	-
Commission payable	440,989	-	-
Lease liabilities	464,670	326,782	1,409,408
Bonds payable	2,800,000	2,400,000	-
Long-term loans (including current portion)	2,430,000	2,863,616	640,000

Non-derivative financial liabilities:

June 30, 2019

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Short-term loans	\$ 53,131,563	\$ 6,609,356	\$ 4,877,210
Short-term notes and bills payable	37,758,117	10,687,630	2,496,178
Notes payable	681,009	-	-
Accounts payable	11,076,709	-	-
Accrued expenses	3,955,973	-	-
Other payables	8,218,061	-	-
Lease liabilities	474,357	394,831	1,399,300
Bonds payable	2,800,000	-	2,400,000
Long-term loans (including current portion)	3,600,000	2,400,000	1,092,257

Derivative financial liabilities:

June 30, 2020

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross currency swaps	\$ -	\$ 149,254	\$ -
Forward exchange contracts	88,145	-	-

Derivative financial liabilities:

December 31, 2019

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross currency swaps	\$ 26,674	\$ 85,617	\$ -
Forward exchange contracts	149,572	-	-

Derivative financial liabilities:

June 30, 2019

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross currency swaps	\$ -	\$ 5,250	\$ -
Forward exchange contracts	66,286	-	-

iv. Information on insurance contracts risk of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

(3) Fair value information

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

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

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

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

B. Fair value information of investment property at cost is provided in Note 6(14).

C. Financial instruments not measured at fair value

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

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

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

<u>June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 4,349,672	\$ -	\$ 359,133	\$ 4,708,805
Forward exchange contracts	-	622	-	622
Foreign exchange swap contracts	-	7,324	-	7,324
Bond investment	-	1,000,000	-	1,000,000
Equity securities	617,145	-	-	617,145
Exchange traded funds	1,424,178	-	-	1,424,178
Financial instruments	-	159,253	-	159,253
Derivative financial assets for hedging	-	71,253	-	71,253
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,927,489	-	1,927,749
Equity securities	<u>6,674,723</u>	<u>-</u>	<u>317,011</u>	<u>6,991,734</u>
	<u>\$ 13,065,718</u>	<u>\$ 3,165,941</u>	<u>\$ 676,144</u>	<u>\$ 16,907,803</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	<u>\$ -</u>	<u>\$ 88,145</u>	<u>\$ -</u>	<u>\$ 88,145</u>

Note: Including operation bonds.

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,058,432	\$ -	\$ 337,907	\$ 2,396,339
Bond investment	-	1,000,000	-	1,000,000
Foreign exchange swap contracts	-	9,346	-	9,346
Equity securities	782,071	-	-	782,071
Exchange traded funds	1,300,428	-	-	1,300,428
Financial instruments	-	190,936	-	190,936
Derivative financial assets for hedging	-	81,131	-	81,131
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,903,046	-	1,903,046
Equity securities	<u>7,525,714</u>	<u>-</u>	<u>318,567</u>	<u>7,844,281</u>
	<u>\$ 11,666,645</u>	<u>\$ 3,184,459</u>	<u>\$ 656,474</u>	<u>\$ 15,507,578</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 149,572	\$ -	\$ 149,572
Derivative financial liabilities for hedging	-	<u>112,291</u>	-	<u>112,291</u>
	<u>\$ -</u>	<u>\$ 261,863</u>	<u>\$ -</u>	<u>\$ 261,863</u>

Note: Including operation bonds.

<u>June 30, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 1,609,536	\$ -	\$ 327,030	\$ 1,936,566
Forward exchange contracts	-	18,672	-	18,672
Bond investment	-	1,000,000	-	1,000,000
Foreign exchange swap contracts	-	4,443	-	4,443
Equity securities	989,304	-	-	989,304
Exchange traded funds	836,019	-	-	836,019
Financial instruments	-	190,643	-	190,643
Derivative financial assets for hedging	-	175,246	-	175,246
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,886,106	-	1,886,106
Equity securities	<u>6,900,329</u>	<u>-</u>	<u>306,054</u>	<u>7,206,383</u>
	<u>\$ 10,335,188</u>	<u>\$ 3,275,110</u>	<u>\$ 633,084</u>	<u>\$ 14,243,382</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 66,263	\$ -	\$ 66,263
Forward exchange swap contracts	-	23	-	23
Derivative financial liabilities for hedging	<u>-</u>	<u>5,250</u>	<u>-</u>	<u>5,250</u>
	<u>\$ -</u>	<u>\$ 71,536</u>	<u>\$ -</u>	<u>\$ 71,536</u>

Note: Including operation bonds.

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

<u>Listed stocks</u>	<u>Beneficiary certificates</u>	<u>Open-end fund</u>	<u>Exchange traded funds</u>
Market quoted price Closing price	Closing price	Net asset value	Closing price
 - ii. Except for financial instruments with active markets, domestic investments of the Company's subsidiary, Hotai Insurance Co., Ltd., take the quoted price of Taipei

Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value aside from infrastructure fund and real estate private placement fund that are assessed by balance sheet approach. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. The following chart is the movement of Level 3 for the six months ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
	Beneficiary certificates	Equity securities
At January 1	\$ 337,907	\$ 318,567
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income		- (1,556)
Recorded as gains on financial assets at fair value through profit or loss	16,094	-
Acquired during the period	<u>5,132</u>	<u>-</u>
At June 30	<u>\$ 359,133</u>	<u>\$ 317,011</u>
	<u>2019</u>	<u>2019</u>
	Beneficiary certificates	Equity securities
At January 1	\$ 302,104	\$ 289,777
Recorded as unrealized losses on valuation of investments in equity instruments measured at fair value through other comprehensive income		- 16,277
Recorded as gains on financial assets at fair value through profit or loss	10,898	-
Acquired during the period	<u>14,028</u>	<u>-</u>
At June 30	<u>\$ 327,030</u>	<u>\$ 306,054</u>

F. For the six months ended June 30, 2020 and 2019, there was no transfer between Level 1, Level 2, and Level 3.

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

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

	<u>Fair value at June 30, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 317,011	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	359,133	Net assets value	Not applicable	Not applicable	Not applicable

	<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	\$ 318,567	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	337,907	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at June 30, 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	\$ 306,054	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund	327,030	Net asset value	Not applicable	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different

valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of June 30, 2020, December 31, 2019 and June 30, 2019.

(4) The nature and range of contract risk governance of the subsidiary, Hotai Insurance Co., Ltd.

A. The objectives, policies, procedures and methods of risk governance on insurance contracts:

(a) Risk Governance Structure and Responsibilities

The subsidiary, Hotai Insurance Co., Ltd. has set up the Risk & Control Committee (RCC) under the Board of Directors as well as an independent risk management department in order to effectively plan, advocate and monitor risk management matters.

The subsidiary's goals in managing its risks are to:

- i. Protect the subsidiary's capital by not taking risks beyond the subsidiary's risk tolerance.
- ii. Enhance value creation and achieve an optimal risk-return profile by efficiently deploying capital.
- iii. Support decision making processes by providing consistent, reliable and timely risk information.
- iv. Protect the subsidiary's brand and reputation by fostering the subsidiary's core values and promoting a sound culture of risk awareness.

The "three lines of defense" approach runs through the subsidiary's risk governance structure, so that risks are clearly identified, owned, and managed:

1st line: Business management takes risks and is responsible for day-to-day risk management.

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance, finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

3rd line: The audit function provides independent assurance regarding the effectiveness of the ERM framework and risk controls.

In accordance with "Risk Management Practice Rules for Insurance Industry", the subsidiary has established "Risk Management Policy" which is approved by the subsidiary's Board of Directors, to establish its corporate risk management framework.

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be

submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

Pursuant to the regulatory authority's requirement, the subsidiary has performed sensitivity analysis, scenario analysis and stress test to understand the related risks which have quantitative influence on the subsidiary's performance.

(c) Insurance Risk and Underwriting Guidelines

Insurance risk management includes product development, pricing, underwriting, reinsurance, natural/man-made catastrophes, claims and reserve related risks. All of these risks are managed by the front-line responsible functions, such as underwriting, claims, technical management, product development and actuarial departments. According to the "Risk Management Policy," related functional policies and procedures, and local regulations, the Risk management framework and mechanism are designed and embedded into day-to-day operations, which includes authorization, operational process and risk-type limit monitoring, etc. The Risk Policy adherence self-assessment checklist and Risk Management Practice Rules for Insurance Industry checklist should be filled in by risk-type owners annually, in order to comply with the requirements of "Risk Management Policy" and "Risk Management Practice Rules for Insurance Industry".

(d) Total Risk Profiling and Insurance Risk Management

The subsidiary adopts the Total Risk Profiling (TRP) methodology to identify, assess, response and document its overall risks (incl. Business and Strategic Risk, Insurance Risk, Operational Risk, ALM / Investment / Credit Risk, and Financial Reporting Risk that can have an impact on the sustainability of Earnings, Capital and Reputation) systematically across the subsidiary. The risk management department coordinates the TRP efforts and provides quality assurance with all departments within their areas of responsibilities. The implementation status of improvement actions will be reviewed quarterly according to the fall TRP results in the previous year. The insurance risks (incl. product development, pricing, underwriting, reinsurance, natural / man-made catastrophes, claims, reserve and so on) are covered in the TRP process as well.

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The net retention limit per risk for each line of business is listed below:

<u>Line of Business</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Fire insurance	\$ 50,000	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000	50,000
Long-term residential fire insurance	50,000	50,000	50,000
Residential fire insurance	50,000	50,000	50,000
Marine cargo insurance	20,000	20,000	20,000
Inland marine insurance	20,000	20,000	20,000
Automobile insurance	Nil	Nil	Nil
General liability insurance	50,000	50,000	50,000
Engineering insurance	50,000	50,000	50,000
Fidelity insurance	60,000	60,000	60,000
Other property insurance	50,000	50,000	50,000
Personal accident insurance	50,000	50,000	50,000

In addition to control the own-retention limit per risk/catastrophe for confining risk exposures, the subsidiary, in accordance with the characteristics of each line of insurance business and to align with operational strategies, arranges reinsurance contracts or arranges facultative reinsurance to appropriately spread the subsidiary's endured risk. For the credit risk of main reinsurers, the subsidiary considers their credit rating, financial status, and location to ensure that the subsidiary has a stable and appropriate reinsurance coverage.

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary's asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions.

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary's RBC ratio ((adjusted net capital / risk-based capital) X 100%) is in compliance with the regulatory requirement of "no lower than 200%."

(5) Credit risk, liquidity risk and market risk of insurance contract

The insurance contracts of the subsidiary, Hotai Insurance Co., Ltd. are all short-term policies and the reserves are not discounted; therefore, there is no significant impact in the interest rate risk.

A. Credit risk

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other financial assets based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.

(b) Except for using historical loss rate as a basis and forecastable macroeconomic information

to estimate expected credit loss in line with IAS, the subsidiary, Hotai Insurance Co., Ltd. also provisioned allowance for loss in line with “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts” and related procedures.

- (c) The subsidiary, Hotai Insurance Co., Ltd., adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk since initial recognition:
- i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - ii. For bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.
- (d) The subsidiary, Hotai Insurance Co., Ltd., adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:
- i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.
 - ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.
 - iii. If the Company actively clears these financial assets in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”, and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Company will continue executing the recourse procedures to secure their rights.
- (e) As of June 30, 2020, December 31, 2019 and June 30, 2019, the subsidiary, Hotai Insurance Co., Ltd., included receivables (excluding interest receivables from bonds and interest receivables from time deposits) and other assets (excluding operating bonds and restricted time deposits) into the group whose impairment should be assessed and the expected loss rates are as follows:

	June 30, 2020		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
Expected loss rate	0%	0%	100%
Total book value	\$ 1,234,614	\$ -	\$ 160
Loss allowance	-	-	160

	December 31, 2019		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
	0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 765,662	\$ -	\$ 160
Loss allowance	-	-	160

	June 30, 2019		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
	0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 922,181	\$ -	\$ 160
Loss allowance	-	-	160

The provision of allowance for loss referred to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the six months ended June 30, 2020 and 2019, the movement of allowance for loss are as follows:

	2020				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
At January 1	\$ -	\$ -	\$ 160	\$ 14,153	\$ 14,313
Provisions during the period	-	-	-	7,624	7,624
At June 30	\$ -	\$ -	\$ 160	\$ 21,777	\$ 21,937

	2019				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
At January 1	\$ -	\$ -	\$ 160	\$ 16,526	\$ 16,686
Provisions during the period	-	-	-	2,198	2,198
At June 30	\$ -	\$ -	\$ 160	\$ 18,724	\$ 18,884

As of June 30, 2020, December 31, 2019 and June 30, 2019, the allowance for loss of abovementioned financial assets was \$21,937, \$14,313 and \$18,884, respectively, and the maximum exposure to credit risk was \$1,212,837, \$751,509 and \$903,457, respectively.

(f) As of June 30, 2020, December 31, 2019 and June 30, 2019, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income (including operating bonds), interest receivables from bonds, non-short term time deposits (excluding valuation adjustment) and interest receivables from time deposits amounting to \$3,489,674, \$3,507,857 and \$3,458,131, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
tw AAA	\$ 882,210	\$ 940,489	\$ 1,036,243
tw AA+	443,138	335,331	308,046
tw AA	401,630	302,988	300,666
tw AA-	861,414	990,444	986,164
tw A+	372,812	347,795	130,302
tw A	474,300	477,224	578,319
tw A-	54,170	113,586	118,391
	<u>\$ 3,489,674</u>	<u>\$ 3,507,857</u>	<u>\$ 3,458,131</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.07%, 0%~0.07% and 0%~0.08%, respectively, the amounts of allowance for loss were \$559, \$633 and \$610, respectively, and the maximum exposure amounts were \$3,489,115, \$3,507,224 and \$3,457,521, respectively. Aforementioned amounts of allowance for loss were using the forecastability of Standard & Poor's research report to adjust historical and timely information to assess the expected loss rate. For the six months ended June 30, 2020 and 2019, the movements of allowance for loss are as follows:

	<u>2020</u>	<u>2019</u>
At January 1	\$ 633	\$ 510
(Amounts reversed) provisions during the period	(74)	100
At June 30	<u>\$ 559</u>	<u>\$ 610</u>

(g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the six months ended June 30, 2020 and 2019, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Six months ended June 30, 2020

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 2,447	-
AA-	362,394	35
A++	2,874	-
A+	382,957	37
A	26,544	3
A-	5,252	1
Unrated	249,773	24
Total	\$ 1,032,241	100.00

Six months ended June 30, 2019

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 3,599	-
AA-	336,084	38
A+	300,880	34
A	36,606	4
A-	2,018	-
Unrated	213,287	24
Total	\$ 892,474	100

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

B. Liquidity risk management

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

(a) Cash flow control and hedging strategy

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

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

execute cash management activities.

(b) Liquidity risk management

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

The table below analyses the insurance liabilities and non-derivative financial liabilities of the subsidiary, Hotai Insurance Co., Ltd., based on the remaining period at the balance sheet date to the contractual maturity date.

i. Non-derivative financial liabilities

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>June 30, 2020</u>				
Insurance liabilities	\$ 6,620,193	\$ 1,444,768	\$ 187,854	\$ 1,911,773
Payables	1,238,985	-	-	-
Deposits-in	1,813	2,880	-	-
Lease liabilities	56,238	84,703	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2019</u>				
Insurance liabilities	\$ 5,966,415	\$ 1,343,109	\$ 171,546	\$ 1,917,142
Payables	1,189,663	-	-	-
Deposits-in	4,300	390	100	-
Lease liabilities	55,447	107,065	-	-

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>June 30, 2019</u>				
Insurance liabilities	\$ 5,529,128	\$ 1,365,198	\$ 121,273	\$ 1,918,240
Payables	1,152,342	-	-	-
Deposits-in	3,958	571	261	-
Lease liabilities	54,765	125,444	-	-

ii. Derivatives

On June 30, 2020, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

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

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

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of "assets allocation strategy". In compliance with the

subsidiary's "Risk Management Policy", the subsidiary's "Investment Policy Statement", and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.'s current risk management mechanism in terms of individual risk factor:

(a) Price risk

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

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

	June 30, 2020			Change in other comprehensive income
	Change of variables				income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$	312,566
	Decrease in price	10%	(	312,566)
	June 30, 2018			
	Change of variables			Change in other comprehensive Income
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$	273,774
	Decrease in price	10%	(	273,774)

(b) Interest rate risk

Interest rate risk refers to the risk from market interest rate change which results in change of fair value of financial instruments. The major investment for the subsidiary, Hotai Insurance Co., Ltd., is fixed interest rate debt investment. Increase in interest rate will result in decrease in fair value. However, due to focus on long-term stability and predictable income, the short-term interest rate change would have insignificant impact to the subsidiary. Thus, no major interest rate risk is expected.

With other conditions unchanged, the reasonable sensitivity analysis on interest rate change is shown below:

		<u>June 30, 2020</u>		
		<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$	112,371)
	Decrease in interest rate	100 basis point		112,371
		<u>June 30, 2019</u>		
		<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$	122,369)
	Decrease in interest rate	100 basis point		122,369

(c) Foreign exchange risk

Foreign exchange risk refers to the risk from fluctuations in fair value of assets or future cash flow due to foreign exchange volatility.

The major foreign exchange risk of the subsidiary, Hotai Insurance Co., Ltd., results from US dollar position. The US dollar foreign exchange rate is shown below:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Foreign exchange rate	29.45	29.99	31.06

The US dollar assets and liabilities are shown as below:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
USD Assets	USD 45,824 thousand	USD 40,276 thousand	USD 47,893 thousand
USD Liabilities	USD 6,500 thousand	USD 1,205 thousand	USD 7,591 thousand

Foreign exchange risk will affect the subsidiary, Hotai Insurance Co., Ltd.'s foreign currency denominated assets and liabilities. All foreign currency denominated investment assets held by the subsidiary has been commissioned by investors for hedging, using the foreign exchange swap contracts to effectively control the risk.

Under the circumstance that other variables remain unchanged and after deducting the nominal principal of hedge items, the sensitivity analysis for reasonable fluctuations in exchange rates is as follows:

		<u>June 30, 2020</u>	
		<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$	22,835)
	Depreciate 5% against NTD		22,835

	<u>June 30, 2019</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 29,611)
	Depreciate 5% against NTD	29,611

(6) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance.

Among them, as the subject matters of transportation insurance, automobile insurance, and personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control.

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the six months ended June 30, 2020 and 2019, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

	<u>Six months ended June 30, 2020</u>	
<u>Line of Business</u>	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 875,843	\$ 359,551
Engineering insurance	98,176	31,700

	<u>Six months ended June 30, 2019</u>	
<u>Line of Business</u>	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 753,438	\$ 312,737
Engineering insurance	36,861	12,688

The subsidiary, Hotai Insurance Co., Ltd., has established catastrophe claims system to record losses of various line of insurance businesses and risks assumed by the subsidiary, including earthquake, typhoon, fire accident, air crash, and man-made catastrophes. The system also provides information for reinsurance brokers to implement catastrophe measurement models and perform analysis on expected occurrence years such as 10 years, 50 years, 100 years, and 250 years. The model covers fire insurance, engineering insurance, marine insurance, automobile insurance, as well as earthquake and typhoon risks. The model provides monthly report of cumulative risk assessment for the purpose of monitoring the risk. With strict reinsurance strategies and arrangements, as well as system monitoring cumulative risk, the subsidiary, Hotai Insurance Co., Ltd., can appropriately and effectively prevent high risk concentration to achieve a goal of risk dispersion.

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the six months ended June 30, 2020 and 2019 and the result is shown below:

<u>Line of Business</u>	<u>Six months ended June 30, 2020</u>			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	<u>Increase in claim reserve before reinsurance</u>	<u>Increase in claim reserve after reinsurance</u>	<u>Decrease in claim reserve before reinsurance</u>	<u>Decrease in claim reserve after reinsurance</u>
Automobile property damage insurance	\$ 83,344	\$ 72,357	\$ 83,344	\$ 72,357
Automobile third party liability insurance	37,829	33,703	37,829	33,703
Personal property insurance	2,607	1,862	2,607	1,862
Commercial property insurance	26,490	10,369	26,490	10,369
Liability insurance	18,517	13,648	18,517	13,648
Marine cargo insurance	5,375	3,866	5,375	3,866
Engineering insurance	2,577	795	2,577	795
Personal accident insurance	25,551	23,823	25,551	23,823
Health insurance	4,094	2,874	4,094	2,874
Foreign inward reinsurance	671	612	671	612

Line of Business	Three months ended June 30, 2019			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	\$ 61,613	\$ 53,710	\$ 61,613	\$ 53,710
Automobile third party liability insurance	29,319	26,114	29,319	26,114
Personal property insurance	3,249	2,143	3,249	2,143
Commercial property insurance	23,669	9,460	23,669	9,460
Liability insurance	15,423	11,099	15,423	11,099
Marine cargo insurance	5,032	3,669	5,032	3,669
Engineering insurance	1,700	383	1,700	383
Personal accident insurance	21,659	21,413	21,659	21,413
Health insurance	3,353	3,156	3,353	3,156
Foreign inward reinsurance	683	677	683	677

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the six months ended June 30, 2020 and 2019.

C. Loss development pattern

As of June 30, 2020, December 31, 2019 and June 30, 2019, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows :

(a) Direct business

June 30, 2020	Accident Year					Six months ended June 30, 2020	Total
	≤2016	2017	2018	2019	2020		
Development Year							
End of underwriting year	\$23,947,995	\$ 1,788,662	\$ 2,584,648	\$ 3,732,983	\$ 2,185,955		
One year after underwriting year	23,665,037	1,806,176	2,563,399	3,755,357	-		
Two years after underwriting year	23,490,076	1,602,243	2,532,614	-	-		
Three years after underwriting year	23,366,414	1,602,838	-	-	-		
Four years after underwriting year	23,227,136	-	-	-	-		
Estimated ultimate losses	23,227,136	1,602,838	2,532,614	3,755,357	2,185,955		
Paid losses	(22,763,938)	(1,355,672)	(2,183,692)	(3,044,495)	(1,004,148)		
Total reserve	\$ 463,198	\$ 247,166	\$ 348,922	\$ 710,862	\$ 1,181,807	\$	2,951,955
Adjustment item (Note)							351,448
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$	<u>3,303,403</u>

Unit: NTD

December 31, 2019	Accident Year					Total
	≤2015	2016	2017	2018	2019	
Development Year						
End of underwriting year	\$21,235,766	\$ 2,644,742	\$ 1,788,662	\$ 2,584,648	\$ 3,732,983	
One year after underwriting year	21,303,252	2,344,556	1,806,176	2,563,399	-	
Two years after underwriting year	21,320,482	2,297,738	1,602,243	-	-	
Three years after underwriting year	21,192,337	2,241,054	-	-	-	
Four years after underwriting year	21,125,360	-	-	-	-	
Estimated ultimate losses	21,125,360	2,241,054	1,602,243	2,563,399	3,732,983	
Paid losses	(20,633,235)	(2,122,922)	(1,331,121)	(2,148,063)	(2,257,525)	
Total reserve	\$ 492,125	\$ 118,132	\$ 271,122	\$ 415,336	\$ 1,475,458	\$ 2,772,173
Adjustment item (Note)						319,038
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 3,091,211

June 30, 2019	Accident Year					Total
	≤2015	2016	2017	2018	Six months ended June 30, 2019	
Development Year						
End of underwriting year	\$21,235,766	\$ 2,644,742	\$ 1,788,662	\$ 2,584,648	\$ 1,676,196	
One year after underwriting year	21,303,252	2,344,556	1,806,176	2,598,051	-	
Two years after underwriting year	21,320,482	2,297,738	1,646,160	-	-	
Three years after underwriting year	21,192,337	2,280,823	-	-	-	
Four years after underwriting year	21,163,699	-	-	-	-	
Estimated ultimate losses	21,163,699	2,280,823	1,646,160	2,598,051	1,676,196	
Paid losses	(20,630,855)	(2,087,939)	(1,307,308)	(2,072,582)	(741,901)	
Total reserve	\$ 532,844	\$ 192,884	\$ 338,852	\$ 525,469	\$ 934,295	\$ 2,524,344
Adjustment item (Note)						274,363
Realized amount in balance sheet						\$ 2,798,707

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

(b) Retention business

June 30, 2020	Accident Year					Total
	≤2016	2017	2018	2019	Six months ended June 30, 2020	
Development Year						
End of underwriting year	\$ 15,296,560	\$ 1,351,056	\$ 2,301,559	\$ 3,215,297	\$ 1,870,143	
One year after underwriting year	15,344,171	1,375,530	2,293,058	3,240,646	-	
Two years after underwriting year	15,220,719	1,282,986	2,266,783	-	-	
Three years after underwriting year	15,126,086	1,280,862	-	-	-	
Four years after underwriting year	14,997,841	-	-	-	-	
Estimated ultimate losses	14,997,841	1,280,862	2,266,783	3,240,646	1,870,143	
Paid losses	(14,706,645)	(1,125,155)	(1,985,364)	(2,714,572)	(886,362)	
Total reserve	\$ 291,196	\$ 155,707	\$ 281,419	\$ 526,074	\$ 983,781	\$ 2,238,177
Adjustment item (Note)						245,465
						\$ 2,483,642

Unit: NTD

December 31, 2019 Development Year	Accident Year					Total
	≤ 2015	2016	2017	2018	2019	
End of underwriting year	\$ 14,201,574	\$ 1,100,469	\$ 1,351,056	\$ 2,301,559	\$ 3,215,297	
One year after underwriting year	14,196,090	1,112,765	1,375,530	2,293,058	-	
Two years after underwriting year	14,231,405	1,069,063	1,282,986	-	-	
Three years after underwriting year	14,151,656	1,027,182	-	-	-	
Four years after underwriting year	14,098,904	-	-	-	-	
Estimated ultimate losses	14,098,904	1,027,182	1,282,986	2,293,058	3,215,297	
Paid losses	(13,725,918)	(973,411)	(1,106,042)	(1,953,806)	(1,999,784)	
Total reserve	<u>\$ 372,986</u>	<u>\$ 53,771</u>	<u>\$ 176,944</u>	<u>\$ 339,252</u>	<u>\$ 1,215,513</u>	\$ 2,158,466
Adjustment item (Note)						<u>225,026</u>
						<u>\$ 2,383,492</u>

June 30, 2019 Development Year	Accident Year					Total
	≤ 2015	2016	2017	2018	Six months ended June 30, 2019	
End of underwriting year	\$ 14,201,574	\$ 1,100,469	\$ 1,351,056	\$ 2,301,559	\$ 1,431,383	
One year after underwriting year	14,196,090	1,112,765	1,375,530	2,328,006	-	
Two years after underwriting year	14,231,405	1,069,063	1,327,576	-	-	
Three years after underwriting year	14,151,656	1,049,604	-	-	-	
Four years after underwriting year	14,134,975	-	-	-	-	
Estimated ultimate losses	14,134,975	1,049,604	1,327,576	2,328,006	1,431,383	
Paid losses	(13,724,094)	(938,928)	(1,086,786)	(1,884,032)	(653,454)	
Total reserve	<u>\$ 410,881</u>	<u>\$ 110,676</u>	<u>\$ 240,790</u>	<u>\$ 443,974</u>	<u>\$ 777,929</u>	\$ 1,984,250
Adjustment item (Note)						<u>207,344</u>
Realized amount in balance sheet						<u>\$ 2,191,594</u>

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

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

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

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>June 30, 2020</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,107,073	\$ 3,107,073	\$ -
Receivables	1,132,902	1,132,902	-
Current tax assets	7,633	-	7,633
Financial assets at fair value through profit or loss	3,632,980	3,132,980	500,000
Financial assets at fair value through other comprehensive income	1,627,189	12,038	1,615,151
Other financial assets	1,578,155	1,536,745	41,410
Right-of-use assets	134,493	-	134,493
Investment property	331,575	-	331,575
Reinsurance contract assets	2,188,715	1,596,112	592,603
Property and equipment	2,792,948	-	2,792,948
Intangible assets	87,501	-	87,501
Other assets	573,917	116,741	457,176
<u>Liabilities</u>			
Payables	\$ 1,238,985	\$ 1,238,985	\$ -
Current income tax liabilities	45,646	45,646	-
Insurance liabilities	10,164,588	6,620,193	3,544,395
Lease liabilities	136,230	56,238	79,992
Other liabilities	77,547	74,667	2,880

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2019</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,329,144	\$ 3,329,144	\$ -
Receivables	678,361	678,361	-
Current tax assets	7,633	-	7,633
Assets held for sale	15,767	15,767	-
Financial assets at fair value through profit or loss	3,509,328	3,009,328	500,000
Financial assets at fair value through other comprehensive income	1,602,746	27,531	1,575,215
Other financial assets	1,610,125	1,509,696	100,429
Right-of-use assets	157,978	-	157,978
Investment property	331,784	-	331,784
Reinsurance contract assets	1,794,135	1,286,604	507,531
Property and equipment	2,632,995	-	2,632,995
Intangible assets	89,563	-	89,563
Other assets	524,967	75,853	449,114

Liabilities

Payables	\$ 1,189,663	\$ 1,189,663	\$ -
Current income tax liabilities	30,657	30,657	-
Insurance liabilities	9,398,212	5,966,415	3,431,797
Lease liabilities	159,562	55,447	104,115
Other liabilities	116,552	116,062	490

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>June 30, 2019</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 2,724,696	\$ 2,724,696	\$ -
Receivables	826,881	826,881	-
Current tax assets	7,633	-	7,633
Assets held for sale	15,767	15,767	-
Financial assets at fair value through profit or loss	3,242,185	2,742,185	500,000
Financial assets at fair value through other comprehensive income	1,585,806	28,731	1,557,075
Other financial assets	1,579,793	1,472,448	107,345
Right-of-use assets	176,206	-	176,206
Investment property	331,166	-	331,166
Reinsurance contract assets	1,725,707	1,283,057	442,650
Property and equipment	2,618,002	-	2,618,002
Intangible assets	58,060	-	58,060
Other assets	466,473	19,324	447,149

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Liabilities</u>			
Payables	\$ 1,152,342	\$ 1,152,342	\$ -
Current income tax liabilities	8,441	8,441	-
Financial liabilities at fair value through profit or loss	23	23	-
Insurance liabilities	8,933,840	5,529,129	3,404,711
Lease liabilities	177,053	54,765	122,288
Other liabilities	73,923	73,091	832

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

Beginning on December 12, 2018, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Uni-President Assets Management Corp., to commission Uni-President Assets Management Corp. to manage the investment in domestic listed companies’ stocks and short-term notes and bills totaling \$600,000. However, the subsidiary, Hotai Insurance Co., Ltd. adjusted the commissioned investment amounts in Uni-President Assets Management Corp. to \$800,000, in November 2019.

Beginning on July 31, 2017, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Yuanta Securities Investment Trust Company Limited (“Yuanta Funds”) and First Securities Investment Trust Company Limited (“FSITC”), to commission Yuanta Funds and FSITC to manage the investment in domestic listed companies’ stocks and short-term notes and bills totaling \$500,000 and \$1,000,000, respectively. However, the subsidiary, Hotai Insurance Co., Ltd. adjusted the commissioned investment amounts in Yuanta Funds and FSITC to \$700,000 and \$800,000, respectively, in November 2018. The subsidiary, Hotai Insurance Co., Ltd. adjusted the commissioned investment amounts in Yuanta Funds to \$890,778, in November 2019. The subsidiary, Hotai Insurance Co., Ltd., terminated the discretionary investment management contract signed with FSITC starting from December 31, 2019.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited (“JPMorgan”), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations.

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

Three months ended June 30, 2020						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 95,828	\$ 38,563	\$ 37,660	\$ 96,731	\$ 3,647	\$ 93,084
Elective insurance	2,234,148	78,414	457,427	1,855,135	173,880	1,681,255
	2,329,976	116,977	495,087	1,951,866	\$ 177,527	1,774,339
Discount	2	-	-	2	-	2
	<u>\$ 2,329,978</u>	<u>\$ 116,977</u>	<u>\$ 495,087</u>	<u>\$ 1,951,868</u>	<u>\$ 177,527</u>	<u>\$ 1,774,341</u>

Six months ended June 30, 2020						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 183,782	\$ 76,154	\$ 72,530	\$ 187,406	\$ 5,513	\$ 181,893
Elective insurance	4,632,303	134,504	1,090,146	3,676,661	387,217	3,289,444
	4,816,085	210,658	1,162,676	3,864,067	392,730	3,471,337
Discount	4	-	-	4	-	4
	<u>\$ 4,816,089</u>	<u>\$ 210,658</u>	<u>\$ 1,162,676</u>	<u>\$ 3,864,071</u>	<u>\$ 392,730</u>	<u>\$ 3,471,341</u>

Three months ended June 30, 2019						
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 87,566	\$ 33,365	\$ 34,811	\$ 86,120	\$ 3,510	\$ 82,610
Elective insurance	<u>2,036,783</u>	<u>41,268</u>	<u>394,957</u>	<u>1,683,094</u>	<u>288,980</u>	<u>1,394,114</u>
	2,124,349	74,633	429,768	1,769,214	292,490	1,476,724
Discount	<u>4</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
	<u>\$ 2,124,353</u>	<u>\$ 74,633</u>	<u>\$ 429,768</u>	<u>\$ 1,769,218</u>	<u>\$ 292,490</u>	<u>\$ 1,476,728</u>

Six months ended June 30, 2019						
Category of Insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 165,965	\$ 69,028	\$ 66,618	\$ 168,375	\$ 7,331	\$ 161,044
Elective insurance	<u>3,951,957</u>	<u>82,700</u>	<u>947,783</u>	<u>3,086,874</u>	<u>440,420</u>	<u>2,646,454</u>
	4,117,922	151,728	1,014,401	3,255,249	447,751	2,807,498
Discount	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>
	<u>\$ 4,117,929</u>	<u>\$ 151,728</u>	<u>\$ 1,014,401</u>	<u>\$ 3,255,256</u>	<u>\$ 447,751</u>	<u>\$ 2,807,505</u>

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

Three months ended June 30, 2020				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 68,089	\$ 9,912	\$ 40,862	\$ 37,139
Elective insurance	936,903	6,583	109,119	834,367
	<u>\$ 1,004,992</u>	<u>\$ 16,495</u>	<u>\$ 149,981</u>	<u>\$ 871,506</u>

Six months ended June 30, 2020				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 139,137	\$ 60,205	\$ 82,817	\$ 116,525
Elective insurance	1,853,097	10,250	201,535	1,661,812
	<u>\$ 1,992,234</u>	<u>\$ 70,455</u>	<u>\$ 284,352</u>	<u>\$ 1,778,337</u>

Three months ended June 30, 2019

Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 41,408	\$ 31,328	\$ 24,856	\$ 47,880
Elective insurance	650,686	22,344	72,930	600,100
	<u>\$ 692,094</u>	<u>\$ 53,672</u>	<u>\$ 97,786</u>	<u>\$ 647,980</u>

Six months ended June 30, 2019

Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 101,072	\$ 60,661	\$ 59,453	\$ 102,280
Elective insurance	1,272,320	33,641	140,862	1,165,099
	<u>\$ 1,373,392</u>	<u>\$ 94,302</u>	<u>\$ 200,315</u>	<u>\$ 1,267,379</u>

(11) Financial information of compulsory automobile insurance:

The subsidiary, Hotai Insurance Co., Ltd., sets independent accounting for its compulsory automobile liability insurance in accordance with Compulsory Automobile Liability Insurance Act, recording the insurance' business and financial condition.

A. Balance sheets for compulsory automobile liability insurance are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Assets			
Cash and cash equivalents	\$ 1,569,923	\$ 1,583,915	\$ 1,554,140
Notes receivable	1,864	1,399	2,947
Premiums receivable	7,479	7,924	7,008
Claims recoverable from reinsurers	30,857	12,285	15,132
Due from reinsurance and ceding companies	32,949	23,052	21,899
Ceded unearned premium reserve	75,816	72,949	67,427
Ceded claim reserve	99,803	86,986	72,924
Temporary payments and suspense accounts	-	52	432
Total assets	<u>\$ 1,818,691</u>	<u>\$ 1,788,562</u>	<u>\$ 1,741,909</u>
Liabilities			
Claims payable	\$ 401	\$ 705	\$ 89
Due to reinsurance and ceding companies	25,845	24,805	23,545
Unearned premium reserve	209,784	201,404	188,507
Claims reserve	280,958	254,754	224,468
Special reserve	1,301,648	1,306,722	1,305,172
Temporary payments and suspense accounts	55	172	128
Total liabilities	<u>\$ 1,818,691</u>	<u>\$ 1,788,562</u>	<u>\$ 1,741,909</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,460,613, \$1,484,913 and \$1,486,113, respectively, shown as other financial assets in the balance sheets.

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

	<u>Three months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenues		
Written premiums	\$ 62,763	\$ 58,017
Reinsurance premiums	38,563	33,365
Less: Reinsurance premiums ceded	(37,660)	(34,811)
Net change in unearned premium reserve	(3,647)	(3,510)
Retention earned premiums	60,019	53,061
Interest income	2,466	3,381
	<u>\$ 62,485</u>	<u>\$ 56,442</u>
Operating costs		
Claim expenditures	\$ 68,089	\$ 41,408
Reinsurance claim expenditures	9,912	31,328
Less: Reinsurance claims recovery	(40,862)	(24,855)
Retention claim expenditures	37,139	47,881
Net change in claims reserve	20,627	2,234
Net change in special reserve	4,719	6,327
	<u>\$ 62,485</u>	<u>\$ 56,442</u>

	<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>
Operating revenues		
Written premiums	\$ 120,879	\$ 111,029
Reinsurance premiums	76,154	69,028
Less: Reinsurance premiums ceded	(72,530)	(66,618)
Net change in unearned premium reserve	(5,513)	(7,331)
Retention earned premiums	118,990	106,108
Interest income	5,848	6,763
	<u>\$ 124,838</u>	<u>\$ 112,871</u>
Operating costs		
Claim expenditures	\$ 139,137	\$ 101,072
Reinsurance claim expenditures	60,205	60,661
Less: Reinsurance claims recovery	(82,817)	(59,453)
Retention claim expenditures	116,525	102,280
Net change in claims reserve	13,387	12,244
Net change in special reserve	(5,074)	(1,653)
	<u>\$ 124,838</u>	<u>\$ 112,871</u>

(12) Capital management- Hotai Insurance Co., Ltd.

The primary objectives of the subsidiary, Hotai Insurance Co., Ltd., when managing capital are to safeguard capital adequacy and solvency of the subsidiary in order to support the subsidiary's sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The subsidiary, Hotai Insurance Co., Ltd. calculates the capital adequacy ratio once every half year in accordance with "Regulations Governing Capital Adequacy of Insurance Enterprises" to ensure that it can continuously meet the statutory capital requirement. In addition, net worth ratio will be included in the monitor indicators of capital adequacy ratio.

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies", and the capital adequacy ratio exceeded 300% within the last two years and was compliant with regulations.

Under Article 15 of "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the net worth ratios of the subsidiary, Hotai Insurance Co., Ltd., as of June 30, 2020 and December 31, 2019 were 31.74% and 32.64%, respectively.

(13) The total amount of current assets and liabilities of the subsidiary, Hotai Finance Co., Ltd., that are expected to be recovered and repaid within or over 12 months

<u>June 30, 2020</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 490,953	\$ 490,953	\$ -
Current financial assets for hedging	71,253	71,253	-
Accounts and notes receivable, net	128,764,276	52,419,880	76,344,396
Other receivables	56,429	56,429	-
Inventories	3,232	3,232	-
Prepayments	5,433,217	3,800,009	1,633,208
Other current financial assets	252,948	252,948	-
<u>Liabilities</u>			
Short-term borrowings	\$ 47,528,648	\$ 38,757,144	\$ 8,771,504
Short-term notes and bills payable	55,146,677	44,556,236	10,590,441
Current financial liabilities for hedging	149,254	-	149,254
Notes payable	497,678	497,678	-
Accounts payable (including related parties)	1,027,529	1,027,529	-
Other payables	2,998,302	2,998,302	-
Current income tax liabilities	423,625	423,625	-
Lease liabilities-current	137,632	137,632	-
Financial guarantee liabilities-current	73,330	73,330	-
Bonds payable	9,400,000	-	9,400,000
Guarantee deposits received - current	2,824,789	1,154,778	1,670,011
Other current liabilities, others	90,864	90,864	-
<u>December 31, 2019</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 373,909	\$ 373,909	\$ -
Current financial assets for hedging	81,131	-	81,131
Accounts and notes receivable, net	122,695,851	51,431,304	71,264,547
Other receivables	62,997	62,997	-
Inventories	2,587	2,587	-
Prepayments	5,412,308	3,815,570	1,596,738
Other current financial assets	118,322	118,322	-
<u>Liabilities</u>			
Short-term borrowings	53,899,638	\$ 45,665,968	\$ 8,233,670
Short-term notes and bills payable	47,187,967	33,005,933	14,182,034
Current financial liabilities for hedging	112,291	26,674	85,617
Notes payable	609,105	609,105	-
Accounts payable (including related parties)	820,854	820,854	-
Other payables	1,462,939	1,462,939	-
Current income tax liabilities	426,947	426,947	-
Lease liabilities-current	152,336	152,336	-
Financial guarantee liabilities-current	81,187	81,187	-
Bonds payable	5,200,000	2,800,000	2,400,000
Guarantee deposits received - current	3,141,979	1,295,105	1,846,874
Other current liabilities, others	138,342	138,342	-

<u>June 30, 2019</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 628,211	\$ 628,211	\$ -
Current financial assets for hedging	175,246	6,011	169,235
Accounts and notes receivable, net	115,773,039	50,199,079	65,753,960
Other receivables	70,999	70,999	-
Inventories	13,162	13,162	-
Prepayments	5,266,663	3,798,933	1,467,730
Other current financial assets	177,550	177,550	-
<u>Liabilities</u>			
Short-term borrowings	\$ 54,598,116	\$ 43,111,550	\$ 11,486,566
Short-term notes and bills payable	47,762,992	34,579,184	13,183,808
Current financial liabilities for hedging	5,250	-	5,250
Notes payable	577,862	577,862	-
Accounts payable (including related parties)	963,124	963,124	-
Other payables	2,469,094	2,469,094	-
Current income tax liabilities	318,317	318,317	-
Lease liabilities-current	146,950	146,950	-
Financial guarantee liabilities-current	84,027	84,027	-
Bonds payable	5,200,000	2,800,000	2,400,000
Guarantee deposits received - current	3,425,645	1,486,529	1,939,116
Other current liabilities, others	94,290	94,290	-

13. Supplementary Disclosures

During the second quarter of 2020, information about major transactions related to the Company are as follows. The Company will disclose the entities which it invested in, except for Hozan Investment Co.,Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited, and Hoyun International Lease Co., Ltd. These entities were the only companies reviewed by independent accountants through their respective financial statements.

(1) Significant transactions information

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

(h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

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

The table below listed the derivative instruments undertaken but not yet expired as of June 30, 2019:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 378,387	2020/7/14~2020/10/15	(\$ 87,523)	(\$ 87,523)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 22,800	2020/7/6~2020/8/31	7,324	7,324
Hotai Finance Co., Ltd.	Cross currency swaps	USD 165,000	2021/4/16~2021/9/17	(86,589)	(86,589)
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 18,000	2021/6/18	8,588	8,588

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

(2) Information on investees

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

(3) Information on investments in Mainland China

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

(b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

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

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Company considers the business from an operating perspective, and the reportable operating segments are as follows:

A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of June 30, 2020, the Company's self-owned capital ratio was 70%.

B. Installment trading segments: trading various vehicles in installments.

C. Leasing segments: leasing of various vehicles in installments.

D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.

B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Items	Six months ended June 30, 2020					
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 67,422,577	\$ 4,443,727	\$ 10,577,385	\$ 31,852,399	\$ -	\$ 114,296,088
Inter-segment revenue (Note)	6,361,930	183,232	592,959	4,945,524	(12,083,645)	-
Total segment revenue	<u>\$ 73,784,507</u>	<u>\$ 4,626,959</u>	<u>\$ 11,170,344</u>	<u>\$ 36,797,923</u>	<u>(\$ 12,083,645)</u>	<u>\$ 114,296,088</u>
Segment income (loss) (Note)	<u>\$ 8,027,462</u>	<u>\$ 1,524,127</u>	<u>\$ 690,655</u>	<u>\$ 4,132,523</u>	<u>(\$ 4,095,259)</u>	<u>\$ 10,279,508</u>
Segment assets	<u>\$ 81,018,355</u>	<u>\$ 123,799,696</u>	<u>\$ 54,436,192</u>	<u>\$ 90,545,663</u>	<u>(\$ 81,499,135)</u>	<u>\$ 268,300,771</u>

Items	Six months ended June 30, 2019					
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 54,722,679	\$ 4,175,676	\$ 9,897,895	\$ 30,577,240	\$ -	\$ 99,373,490
Inter-segment revenue (Note)	5,973,331	162,265	263,151	3,553,077	(9,951,824)	-
Total segment revenue	<u>\$ 60,696,010</u>	<u>\$ 4,337,941</u>	<u>\$ 10,161,046</u>	<u>\$ 34,130,317</u>	<u>(\$ 9,951,824)</u>	<u>\$ 99,373,490</u>
Segment income (loss) (Note)	<u>\$ 6,567,632</u>	<u>\$ 1,423,217</u>	<u>\$ 564,864</u>	<u>\$ 4,268,850</u>	<u>(\$ 4,517,741)</u>	<u>\$ 8,306,822</u>
Segment assets	<u>\$ 71,207,491</u>	<u>\$ 106,995,875</u>	<u>\$ 54,216,606</u>	<u>\$ 80,185,502</u>	<u>(\$ 67,634,828)</u>	<u>\$ 244,970,646</u>

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

A. The Company's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.

B. The total assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the Company's financial statements.

Ho Tai Motor Co., Ltd.
Loans to others
Six months ended June 30, 2020
(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 six months ended June 30, 2020	Balance at June 30, 2020	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	\$ 231,456	\$ 230,474	\$ -	2.15%	Short-term financing	-	Operations	\$ -	None	\$ -	\$ 282,751	\$ 282,751	Note 1
2	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	504,995	502,416	31,820	2.15%	"	-	"	-	"	-	594,823	594,823	Note 1
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	129,717	125,604	-	2.15%	"	-	"	-	"	-	160,930	160,930	Note 1
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	189,373	188,406	101,153	2.15%	"	-	"	-	"	-	423,684	423,684	Note 1
5	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	336,663	334,944	189,202	2.15%	"	-	"	-	"	-	383,130	383,130	Note 1
6	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	147,290	146,538	9,420	2.15%	"	-	"	-	"	-	174,911	174,911	Note 1
7	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	252,498	251,208	110,280	2.15%	"	-	"	-	"	-	303,959	303,959	Note 1
8	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	294,580	293,076	128,619	2.15%	"	-	"	-	"	-	332,289	332,289	Note 1
9	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	108,098	104,670	32,657	2.15%	"	-	"	-	"	-	205,008	205,008	Note 1
10	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	147,290	146,538	96,715	2.15%	"	-	"	-	"	-	265,505	265,505	Note 1
11	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	336,663	334,944	90,979	2.15%	"	-	"	-	"	-	398,386	398,386	Note 1
12	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	562,109	544,284	-	2.15%	"	-	"	-	"	-	950,441	950,441	Note 1
13	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	6,312	6,280	-	2.15%	"	-	"	-	"	-	8,564	8,564	Note 1
14	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	86,478	83,736	61,797	2.15%	"	-	"	-	"	-	149,071	149,071	Note 1
15	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	3,459	2,093	-	2.15%	"	-	"	-	"	-	4,413	4,413	Note 1
16	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	75,749	75,362	-	2.15%	"	-	"	-	"	-	84,964	84,964	Note 1
17	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	21,041	20,934	20,934	2.15%	"	-	"	-	"	-	41,330	41,330	Note 1
18	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	"	168,332	167,472	-	2.15%	"	-	"	-	"	-	293,104	293,104	Note 1
19	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	"	126,249	125,604	8,415	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	"	210,415	209,340	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	"	168,332	167,472	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	"	126,249	125,604	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	"	210,415	209,340	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	631,244	628,020	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	"	441,871	439,614	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	"	336,663	334,944	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	"	168,332	167,472	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	"	336,663	334,944	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	"	33,666	33,494	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the six months ended June 30, 2020	Balance at June 30, 2020	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			
19	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Other receivables	Y	273,539	272,142	-	3.05%	Short-term financing	-	Operations	\$ -	None	\$ -	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	"	129,717	83,736	7,285	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	"	210,415	209,340	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	"	4,324	4,187	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	"	"	4,324	4,187	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	"	105,207	104,670	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	"	21,620	20,934	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2
19	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	"	84,166	83,736	-	3.05%	"	-	"	-	"	-	5,532,994	11,065,988	Note 2

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 100% of the creditor's net value.

Note 2:For Hotong Motor Investment Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by the same parent company is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Six months ended June 30, 2020

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of June 30, 2020	Outstanding endorsement/ guarantee amount at June 30, 2020	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Ho Tai Motor Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Note 5.b	\$ 16,968,621	\$ 45,375	\$ 44,445	\$ -	\$ -	0.08%	\$ 28,281,036	Y	N	Y	Note 1
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Note 5.a	20,035,025	3,459,131	3,349,442	1,161,419	-	16.72%	20,035,025	Y	N	Y	Note 2
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	20,035,025	359,854	357,490	142,224	-	1.78%	20,035,025	Y	N	Y	"
2	Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Quian Logistics Equipment Trading Co., Ltd.	Note 5, b	293,252	30,250	29,630	-	-	3.03%	488,753	Y	N	Y	Note 3
3	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	"	2,848,090	1,600,000	-	-	-	-	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.

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)
Six months ended June 30, 2020
(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 June 30, 2020				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	\$ 637,070	0.15%	\$ 637,070		
	- Toyota Motor Corporation	-	"	3,191,200	5,936,354	0.10%	5,936,354		
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	99,871	0.00%~0.42%	99,871		
	Taian Insurance Co., Ltd. Etc.	-	"	-	275,712	0.42%~3.10%	275,712		
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current	-	\$ 500,000	-	\$ 500,000		
	Beneficiary certificates - Upamc James Bond Money Market Fur	Not applicable	Financial assets at fair value through profit or loss - current	8,927,190	\$ 150,000		\$ 150,113		
	- CTBC Hwa-win Money Market Fund	"	"	132,613,076	1,470,000		1,470,547		
	- Union Money Market Fund	"	"	15,066,140	200,000		200,173		
				Valuation adjustment of financial assets		833		-	
				Total		\$ 2,320,833		\$ 2,320,833	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,650	0.50%	\$ 3,650		
	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	4,087,842	\$ 42,420	-	\$ 42,540		
			Valuation adjustment of financial assets		120		-		
			Total		\$ 42,540		\$ 42,540		
Toyota Material Handling Taiwan Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	46,595,533	\$ 476,728	-	\$ 484,892		
			Valuation adjustment of financial assets		8,164		-		
			Total		\$ 484,892		\$ 484,892		
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,839	0.01%~0.50%	\$ 3,839		
	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	30,874,358	\$ 320,000	-	\$ 321,290		
	- CTBC Hwa-win Money Market Fund	"	"	27,120,095	300,220	-	300,735		
			Valuation adjustment of financial assets		1,805		-		
			Total		\$ 622,025		\$ 622,025		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 1,428	-	\$ 1,428		
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,839	0.01%~0.51%	3,839		
	President securites Corp-PGNW0085	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 159,010	-	\$ 159,253		
			Valuation adjustment of financial assets		243		-		
			Total		\$ 159,253		\$ 159,253		
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 - BOT Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,527,891	\$ 30,000	-	\$ 30,449		
			Valuation adjustment of financial assets		449		-		
			Total		\$ 30,449		\$ 30,449		

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of June 30, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,650	0.50%	\$ 3,650	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 3,650	0.50%	\$ 3,650	
Ho Tai Cyber Connection Co., Ltd	Beneficiary certificates							
	- Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	19,523,803	202,500		203,173	
	- Mega Diamond Money Market Fund	"	"	15,862,315	200,000		200,254	
			Valuation adjustment of financial assets		927		-	
			Total		\$ 403,427		\$ 403,427	
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	-	\$ 50,240	
			Valuation adjustment of financial assets		240		-	
			Total		\$ 50,240		\$ 50,240	
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	4,806,907	\$ 50,000		\$ 50,023	
	- Mega Diamond Money Market Fund	"	"	3,962,122	50,000		50,020	
	- CTBC Hwa-win Money Market Fund	"	"	6,314,726	70,000		70,023	
			Valuation adjustment of financial assets		66		-	
			Total		\$ 170,066		\$ 170,066	
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	-	\$ 22,671	10.48%	\$ 22,671	

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
Six months ended June 30, 2020

(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, 2020		Addition		Number of shares	Disposal		Gain (loss) on disposal	Balance as at June 30, 2020	
					Number of shares	Amount	Number of shares	Amount		Selling price	Book value		Number of shares	Amount
Ho Tai Motor Co., Ltd.	CTBC Hwa-win Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	\$ -	241,075,887	\$ 2,670,000	108,462,811	\$ 1,200,662	\$ 1,200,000	\$ 662	132,613,076	\$ 1,470,000
Ho Tai Motor Co., Ltd.	Union Money Market Fund	"	"	"	-	-	30,153,875	400,000	15,087,735	200,113	200,000	113	15,066,140	200,000
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	-	-	-	-	-	-	-	-	-	-
Hozan 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	357,524	357,000	524	-	-
Hozan Investment Co., Ltd.	Ho Tai Cyber Connection Co., Ltd.	Investments accounted for using equity method	Ho Tai Cyber Connection Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-
Hotai Finance Co., Ltd.	Hoing Mobility Service Corporation	"	Hoing Mobility Service Corporation	"	-	-	-	-	-	-	-	-	-	-

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

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
Six months ended June 30, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases		Percentage of total purchases (sales)	Transaction	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)	Percentage of total notes/accounts receivable (payable)	Footnote
			(sales)	Amount			Unit price	Credit term				Balance
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 13,918,377	20%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 692,391	17%	
Ho Tai Motor Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	12,659,548	18%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	672,469	17%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	10,385,912	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	421,362	10%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	10,485,317	15%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	621,565	15%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	9,098,172	13%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	455,972	11%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	8,103,558	12%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	370,219	9%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	1,269,862	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Not applicable	"	295,490	7%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	1,445,628	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	Normal	"	82,847	2%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	1,249,739	2%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	66,951	2%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	379,813	1%	Collection at sight	"	"	244	-	
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd	"	"	408,171	1%	Collection at sight	"	"	257,050	6%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	26,277,975	43%	Closes its accounts 15 days after the end of each month	Not applicable	"	(5,374,804)	57%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	16,991,012	28%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(822,616)	9%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	"	1,650,731	3%	Closes its accounts 15 days after the end of each month	"	"	(163,365)	2%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,117,016	2%	Closes its accounts 16 days after the end of each month	"	"	(209,281)	2%	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	Entity controlled by the Company's key management	"	828,449	1%	Closes its accounts 15 days after the end of each month	"	"	(145,496)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	392,977	1%	Closes its accounts 16 days after the end of each month	"	"	(75,699)	1%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	"	158,358	-	Closes its accounts 15 days after the end of each month	"	"	(7,851)	-	
Ho Tai Motor Co., Ltd.	Toyota-Motor-Sales-USA	"	"	128,006	-	Closes its accounts 15 days after the end of each month	"	"	-	-	
Chang Yuan Motor Co., Ltd.	Hozao Enterprise Co., Ltd.	Associates	Sales	277,876	4%	14 days after invoice date	Normal	"	27,124	1%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	235,073	3%	Collection at sight	"	"	-	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	4,612,974	67%	7 days after invoice date	Not applicable	Not applicable	(229,917)	29%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	1,269,862	18%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(295,490)	37%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	Sales	1,117,016	35%	Closes its accounts 16 days after the end of each month	Normal	Normal	209,281	23%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	337,644	11%	Closes its accounts 10 days after the end of each month	"	"	122,785	13%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	259,072	8%	Closes its accounts 35 days after the end of each month	"	"	102,428	11%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	255,343	8%	Closes its accounts 35 days after the end of each month	"	"	97,719	11%	
Carmax Co., Ltd.	Innovation AUTO Parts Co., Ltd.	"	"	211,718	7%	Closes its accounts 25 days after the end of each month	"	"	71,244	8%	
Carmax Co., Ltd.	Nan I Motor Co., Ltd.	"	"	163,827	5%	Closes its accounts 90 days after the end of each month	"	"	64,643	7%	
Carmax Co., Ltd.	Chang Guan Logistics Co., Ltd.	"	"	171,956	5%	Closes its accounts 40 days after the end of each month	"	"	65,484	7%	
Carmax Co., Ltd.	Tung Yu Motor Co., Ltd.	"	"	118,462	4%	Closes its accounts 40 days after the end of each month	"	"	52,441	6%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	276,676	11%	Closes its accounts 10 days after the end of each month	"	"	(49,394)	11%	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	1,307,152	19%	Payment at sight	"	"	(19,660)	16%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	603,680	9%	Payment at sight	"	"	-	-	
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	379,813	6%	Payment at sight	"	"	(244)	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	512,422	7%	Payment at sight	"	"	(9)	-	"
Hotai Leasing Co., Ltd.	Tau Miau Motor Co., Ltd.	"	"	409,838	6%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	354,335	5%	Payment at sight	"	"	(1,520)	1%	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	235,073	3%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	254,087	4%	Payment at sight	"	"	(4,800)	4%	"
Hoing Mobility Service Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	408,171	100%	Payment at sight	"	"	(257,050)	100%	"
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	"	"	1,249,739	99%	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	"	"	(66,951)	92%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	"	130,462	64%	Closes its accounts 15 days after the end of each month	Not applicable	"	(16,668)	33%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	276,676	96%	Closes its accounts 10 days after the end of each month	"	"	49,394	96%	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	115,318	2%	Closes its accounts 60 days after the end of each month	"	"	(46,731)	41%	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	115,318	43%	Closes its accounts 60 days after the end of each month	"	"	46,731	64%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Transaction	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
							Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,567,278	90%	Payment in advance	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	Associates	Sales	109,221	5%	Collection at sight	Normal	Normal	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,125,067	93%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,055,283	98%	Payment in advance	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,063,463	99%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	707,815	97%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	752,258	100%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service. Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Associates	Sales	119,698	11%	Payment in advance	"	"	-	-	
Shanghai Hozhan Motor Service. Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	123,889	13%	Payment in advance	"	"	-	-	
Tianjin Heyi International Trading Co., Ltd.	Shanghai Hozhan Motor Service. Co., Ltd.	Associates	"	119,698	36%	Payment in advance	"	"	-	-	
Hoyun International Lease Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	"	109,221	69%	Collection at sight	"	"	-	-	

Note: 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
Six months ended June 30, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at June 30, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 692,391	48.78	-	-	692,391	-
			Other receivables	\$ 17,680		-	-	17,680	-
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	\$ 672,469	50.00	-	-	672,469	-
			Other receivables	\$ 17,219		-	-	17,219	-
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Accounts receivable	\$ 621,565	44.34	-	-	621,565	-
			Other receivables	\$ 10,895		-	-	10,895	-
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	\$ 455,972	50.51	-	-	455,972	-
			Other receivables	\$ 13,486		-	-	13,486	-
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	\$ 421,362	61.36	-	-	421,362	-
			Other receivables	\$ 39,249		-	-	39,249	-
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	\$ 370,219	52.41	-	-	370,219	-
			Other receivables	\$ 13,263		-	-	13,263	-
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	\$ 295,490	10.64	-	-	295,490	-
			Other receivables	\$ 25,653		-	-	25,653	-
Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	Accounts receivable	\$ 257,050	6.35	-	-	257,050	-
			Other receivables	\$ 115		-	-	115	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	\$ 209,281	9.72	-	-	209,281	-
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	\$ 122,785	5.05	-	-	122,785	-
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	\$ 102,428	4.53	-	-	102,428	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Six months ended June 30, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 1,269,862	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	765,834	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	Rental revenue	39,531		
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	295,490	Closes its accounts 7 days after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,249,739	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	66,951	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	209,281	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	66,907	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	379,813	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	1	Sales revenue	408,171	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Co., Ltd.	1	Accounts receivable	257,050	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	96,653	Closes its accounts 16 days after the end of each month	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	235,073	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	75,896	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	Notes receivable	120,089	Collection at sight	-
2	Eastern Motor Co., Ltd.	Hotai Finance Co., Ltd.	3	"	402,048	Collection at sight	-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	1,117,016	Closes its accounts 16 days after the end of each month	1%
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Service revenue	128,052	Closes its accounts 60 days after the end of each month	-
4	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	276,676	Closes its accounts 10 days after the end of each month	-
4	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Accounts receivable	49,394	Closes its accounts 10 days after the end of each month	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
5	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	109,221	Collection at sight	-
6	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	110,280		-
6	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	"	189,202		-
6	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	"	96,715		-
6	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	90,979		-
6	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	"	101,153		-
6	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	3	"	128,619		-
6	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	"	31,820		-
6	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	"	61,797		-
6	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	3	"	32,657		-
7	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	115,318	Closes its accounts 60 days after the end of each month	-
7	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Accounts receivable	46,731	Closes its accounts 60 days after the end of each month	-
8	Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	119,698	Prepayments to suppliers	-
9	Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co., Ltd.	3	"	38,338	Closes its accounts 30 days after the end of each month	-
10	Hotai Leasing Co., Ltd.	Hoing Mobility Service Corporation	3	"	34,929	Collection at sight	-
11	Ho Tai Development Co., Ltd.	Ho Tai Motor Co., Ltd.	2	"	48,199	Closes its accounts 30 days after the end of each month	-
12	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	"	64,393	Closes its accounts 26 days after the end of each month	-

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

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

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

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

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

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

Ho Tai Motor Co., Ltd.
Names, locations and other information of investee companies (not including investees in Mainland China)
Six months ended June 30, 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2020			Net profit (loss) of the investee for the six months ended June 30, 2020	Investment income (loss) recognized by the Company for the six months ended June 30, 2020	Footnote
				Balance at June 30, 2020	Balance as at December 31, 2019	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	\$ 20,472,391	\$ 999,735	\$ 999,735	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	4,390,567	235,075	75,250	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	2,693,289	2,352,544	90,897,360	100.00	6,516,897	491,833	491,833	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	4,270,218	209,444	209,444	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,615,324	469,928	92,448	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	2,701,550	410,031	184,366	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	1,558,693	336,671	64,997	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	1,350,459	196,089	36,116	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,129,785	465,794	237,555	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	-	1,650,000	15.00	16,500	-	-	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	1,148,375	246,414	85,777	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.05	1,197,624	362,120	72,605	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,010,041	296,317	70,138	"
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	908,167	51,900	51,900	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	396,810	22,866	22,866	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	290,930	40,986	7,856	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	"	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	363,286	15,263	6,783	"
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	121,213	14,613	3,089	"
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	94,340	49,377	12,344	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	19,351	13,574	2,715	Subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	103,705	103,705	3,500,000	70.00	132,993	15,356	-	An indirect wholly-owned subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2020			Net profit (loss) of the investee for the six months ended June 30, 2020	Investment income (loss) recognized by the Company for the six months ended June 30, 2020	Footnote
				Balance at June 30, 2020	Balance as at December 31, 2019	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	35,556	35,556	1,200,000	40.00	-	-	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,003	62,003	233,782,831	45.39	9,115,467	1,199,064	-	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	2,501,236	375,843	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	321,859	6,012	-	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	116	246,414	-	"
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	7,557,358	182,834	-	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	357,299	58,616	-	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	830,000	230,000	83,000,000	100.00	592,084	(39,675)	-	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	68,140	47,531	-	"
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,197,052	1,197,052	40,400,000	50.50	1,701,113	176,217	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	"	"	1,173,348	1,173,348	39,600,000	49.50	1,666,589	176,217	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	-	31,000,000	50.82	288,477	(42,358)	-	"
Hotai Leasing Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	Leasing of vehicles	300,000	300,000	30,000,000	49.18	265,378	(42,358)	-	"
Ho Tai Cyber Connection Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	-	1,800,000	100.00	178,559	(1,441)	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	88,890	88,890	3,000,000	100.00	102,021	(128)	-	"
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	53,731	-	"
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	-	-	"
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	-	5,000,000	100.00	53,847	3,847	-	An indirect wholly-owned subsidiary
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	11,101	-	-	Subsidiary's investee company accounted for using the equity method
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	62,296	13,574	-	Subsidiary
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	-	3,850,000	35.00	-	-	-	Subsidiary's investee company accounted for using the equity method
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	12,595	6,513	-	An indirect wholly-owned subsidiary
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	88,890	88,890	3,000,000	100.00	102,021	(128)	-	"

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Six months ended June 30, 2020

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

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2020			Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Net income of investee for the six months ended June 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2020	Book value of investment in Mainland China as of June 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2020	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	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	2,919,888	Note 2	946,679	-	-	946,679	477,773	100.00	477,773	6,343,303	-	Note 2.3	
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	99,853	"	99,853	-	-	99,853	59,442	100.00	59,442	341,113	-	"	
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	125,604	"	10,889	-	-	10,889	-	10.48	-	10,889	-	"	
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	88,890	"	29,630	-	-	29,630	-	40.00	-	-	-	"	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	177,780	"	177,780	-	-	177,780	69,394	100.00	69,394	451,263	-	"	
Shanghai Hozhan Motor Service Co., Ltd.	"	88,890	"	88,890	-	-	88,890	18,274	100.00	18,274	178,872	-	"	
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	148,150	"	103,705	-	-	103,705	21,938	70.00	15,357	132,993	-	"	
Shanghai Heling Motor Service Co., Ltd.	"	103,705	Note 3	77,779	-	-	77,779	171,434	100.00	171,434	763,142	-	"	
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	125,604	Note 2	11,667	-	-	11,667	-	10.48	-	11,667	26,106	"	
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	177,780	"	177,780	-	-	177,780	6,142	100.00	6,142	159,307	-	"	
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	404,450	"	275,559	-	-	275,559	9,832	100.00	9,832	214,661	-	"	
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	"	41,868	Note 3	-	-	-	-	981	100.00	981	42,293	-	"	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	171,854	Note 2	171,854	-	-	171,854	46,219	100.00	46,219	349,339	-	"	
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	192,595	"	192,595	-	-	192,595	69,908	100.00	69,908	400,926	-	"	
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,370,400	"	2,370,400	-	-	2,370,400	176,217	55.61	97,999	1,872,784	-	"	
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	209,340	Note 3	-	-	-	-	5,788	55.61	3,219	133,315	-	"	
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	88,890	Note 2	88,890	-	-	88,890	(128)	45.01	(58)	46,593	-	"	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	355,560	Note 3	-	-	-	-	51,767	100.00	51,767	449,212	-	"	
Tianjin Hozhan Motor Service Co., Ltd.	"	287,214	"	-	-	-	-	7,216	100.00	7,216	272,589	-	"	
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	355,560	"	-	-	-	-	284	35.00	99	56,873	-	"	
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	39,408	Note 1	39,408	-	-	39,408	16,023	51.00	8,172	112,610	-	"	
Guangzhou Gac Changho Autotech Corporation	"	94,618	"	42,578	-	-	42,578	70,270	22.95	16,127	43,226	91,074	"	
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	296,300	Note 3	-	-	-	-	126,454	35.00	44,259	102,246	-	"	

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the six months ended June 30, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	Net income of investee for the six months ended June 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the six months ended June 30, 2020	Book value of investment in Mainland China as of June 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	444,450	Note 3	-	-	-	-	102,293	35.00	35,803	160,827	-	Note 2.3
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	355,560	"	-	-	-	-	135,128	35.00	47,295	162,497	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	"	414,820	"	-	-	-	(21,110)	35.00 (	7,389)	55,822	-	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	12,560	"	-	-	-	(5,008)	60.00 (	3,005)	19,787	-	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,187	"	-	-	-	517	100.00	517	9,071	-	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	447,572	"	-	-	-	54,212	100.00	52,190	474,926	-	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	962,964	"	-	-	-	(3,560)	100.00 (	3,560)	946,946	-	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	8,374	"	-	-	-	(524)	100.00 (	524)	3,899	-	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	83,736	"	-	-	-	1,028	100.00	1,028	85,973	-	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	41,868	"	-	-	-	(795)	50.00 (	398)	17,878	-	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	296,300	"	-	-	-	(2,290)	100.00 (	2,290)	290,856	-	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	311,115	"	-	-	-	(215)	100.00 (	215)	301,646	-	-	"
Tianjin Binhai Heling LEXUS Motor Service Co.,Ltd.	Sales and repairing of vehicles	125,604	"	-	-	-	(1,857)	35.00 (	650)	29,084	-	-	"
Tianjin Yongda Communication Technology Co., LTD.	Trading of vehicle products / accessories and property management	246,100	"	-	-	-	(764)	35.00 (	267)	148,234	-	-	"
Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	125,604	"	-	-	-	5,409	70.00	3,786	90,525	-	-	"
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	127,409	"	-	-	-	-	35.00	-	44,843	-	-	"

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 six months ended June 30, 2020 is based on:

- (1) The financial statements were reviewed by R.O.C parent company's CPA.
- (2) The financial statements were reviewed by other independent accountants in PricewaterhouseCoopers, Taiwan.
- (3) Others - the self-prepared financial statements that were not reviewed by independent accountants.

Note 3: Related amounts in the following table are expressed in NT\$.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2020	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.	\$ 2,542,991	\$ 5,896,031	\$ 43,998,902

Ho Tai Motor Co., Ltd.
Major shareholders information
Six months ended June 30, 2020

Table 10

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	48,267,625	8.83%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	40,569,353	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%