

**HO TAI MOTOR COMPANY LIMITED AND
SUBSIDIARIES**

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

DECEMBER 31, 2022 AND 2021

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

HO TAI MOTOR COMPANY LIMITED
DECEMBER 31, 2022 AND 2021 CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
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HO TAI MOTOR CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Ho Tai Motor Co., Ltd.

Representative: Huang, Nan-Kuang
March 14, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Evaluation of provision for impairment of accounts receivable in Hotai Finance Co., Ltd., the subsidiary

Description

Refer to Note 4(11) for accounting policies on allowance for uncollectible accounts receivable, Note 5(2)C for the critical accounting estimates and assumptions on the policies of allowance for uncollectible accounts receivable and Note 6(5) for the details of accounts receivable.

Hotai Finance Co., Ltd. ("Hotai Finance"), a subsidiary of Ho Tai Motor Co., Ltd., is primarily engaged in the installment sales and leases of vehicles. In the supply chain of motor vehicles, the role of Hotai Finance is to provide customers with flexible financing options and to streamline the vehicle delivery process. Therefore, Hotai Finance is responsible for the collections of accounts receivable and manages overdue accounts.

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

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

How our audit addressed the matter

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

1. Understood the policy of provision for impairment of accounts receivable (including relevance to macroeconomic indicators of forward-looking information) and the logic of the aging report.
2. For those accounts past due over 30 days, Hotai Finance will estimate and recognize the impairment of account receivable based on the probability of overdue accounts becoming impaired over the past years and based on Hotai Finance's policy. In order to evaluate the reasonableness of the provision for impairment policy, we understood and assessed the occurrence percentage of actual impairment losses

compared to the overdue accounts receivable over the past years, and other forward-looking information. In addition, we sampled and examined the expected credit losses report, and checked system information to ensure the consistency.

3. Sampled and examined the supporting documents of individual evaluation made by the management to evaluate the reasonableness of the expected credit loss recognized.

Valuation of the provisions for warranty

Description

Refer to Note 4(31) for accounting policies on warranty liabilities provision, Note 5(2)B for the critical accounting estimates and assumptions on the policies of warranty liabilities provision and Note 6(24) for the details of accounting policies applied on warranty liabilities provision.

In order to enhance customer's confidence on product quality, Ho Tai Motor Co., Ltd. provides a warranty for cars. Since the provisions for warranty involves massive historical data as well as complex calculations in respect of maintenance and repair experience, it is identified as a key audit matter.

How our audit addressed the matter

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

1. In terms of the agent brands, obtained the car sold information that met the warranty items offered by Ho Tai Motor Co., Ltd., such as cars' maintenance details as well as registration forms. Sampled and tested each car's warranty cost on maintenance records.
2. Reviewed the system information in respect of total cars sold which qualify for the warranty scheme mentioned above. Evaluated the reasonableness of provision for warranty by considering the average warranty cost claimed from each agent brand.

Claims reserve and ceded claims reserve of the subsidiary, Hotai Insurance Co., Ltd.

Description

Refer to Note 4(38) for accounting policies on claims reserve (including ceded), Note 5(2)D for the critical accounting estimates and assumptions on the policies of claims reserve (including ceded) and Note 6(9) for the details of accounting policies applied on claims reserve and ceded claims reserve.

The claims reserve (including ceded claims) of Hotai Insurance Co., Ltd. (“Hotai Insurance”), the subsidiary of Ho Tai Motor Co., Ltd., is derived from the reasonable amount of ultimate claims prior and after reinsurance based on the actuarial department’s historical claims development trend and experience.

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

How our audit addressed the matter

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

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

Other matter – Reference to the reports of other auditors

We did not audit the financial statements of certain subsidiary and investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, in so far

as it relates to the amounts included in respect of these investees, is based solely on the reports of the other auditors. The assets of these companies amounted to NT\$6,939,623 thousand and NT\$6,351,398 thousand, constituting 1.71% and 1.82% of the consolidated total assets as at December 31, 2022 and 2021, respectively, the revenue of this subsidiary amounted to NT\$3,667 thousand and NT\$ 0, constituting 0.001% and 0.00% of the consolidated total revenue for the years then ended, respectively and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT\$532,310 thousand and NT\$442,368 thousand, constituting (3.05%) and 2.12% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter – Parent company only financial statements

We have audited and expressed an unqualified opinion with an *Other matter* section on the parent company only financial statements of the Group as at and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wang, Fang-Yu

Hsu, Sheng-Chung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 15,629,561	4	\$ 25,813,580	7
1120	Financial assets at fair value through profit or loss-current	6(2)	4,590,529	1	7,759,202	2
1125	Financial assets at fair value through other comprehensive income-current	6(3)	216,321	-	322,124	-
1150	Derivative financial assets for hedging	6(4)	504,827	-	-	-
1190	Other financial assets-current	6(1) and 8	3,229,892	1	2,794,794	1
1195	Contract assets-current	6(29)	57,021	-	29,094	-
1201	Notes receivable	6(5), 7 and 8	11,928,468	3	10,731,037	3
1202	Accounts receivable	6(5), 7 and 8	226,000,165	56	179,803,972	52
1203	Other receivables	7	1,831,274	-	1,492,994	1
1270	Inventories	6(7)	13,280,667	3	10,014,885	3
1280	Prepayments	6(8)	8,911,626	2	8,431,594	2
1290	Assets held for sale		283,710	-	-	-
1310	Reinsurance contract assets, net	6(9)	2,964,445	1	2,396,571	1
	Total current assets		<u>289,428,506</u>	<u>71</u>	<u>249,589,847</u>	<u>72</u>
Non-current assets						
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,011,039	-	1,035,718	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	8,411,794	2	10,592,876	3
1470	Investments accounted for using the equity method	6(10)	18,759,486	5	17,336,071	5
1480	Other financial assets-non-current	6(1)	196,388	-	143,910	-
1500	Property, plant and equipment, net	6(11)	60,555,510	15	53,619,235	15
1595	Right-of-use assets, net	6(12)	3,629,696	1	3,436,960	1
1600	Investment property, net	6(14)	2,900,924	1	2,531,683	1
1700	Intangible assets, net	6(15)	184,656	-	1,297,739	-
1800	Deferred income tax assets, net	6(34)	4,099,616	1	1,975,833	1
1900	Other assets	6(5)(9)(17)	17,383,522	4	8,052,912	2
	Total non-current assets		<u>117,132,631</u>	<u>29</u>	<u>100,022,937</u>	<u>28</u>
1XXX	Total Assets		<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current Liabilities						
2110	Short-term loans	6(18)	\$ 105,333,597	26	\$ 66,766,240	19
2120	Short-term notes and bills payable	6(19)	114,640,213	28	104,861,342	30
2140	Financial liabilities at fair value through profit or loss-current	6(2)	162,608	-	27,780	-
2150	Derivative financial liabilities for hedging	6(4)	586,935	-	578,276	-
2165	Contract liabilities-current	6(29)	1,518,147	-	1,371,251	-
2201	Notes payable		870,114	-	783,316	-
2202	Accounts payable	7	11,384,815	3	8,794,001	3
2203	Accrued expenses	6(22) and 7	6,623,281	2	6,957,640	2
2204	Other payables	7	1,665,754	1	1,407,173	1
2250	Commissions payable	7	493,435	-	545,799	-
2260	Due to reinsurance and ceding companies		814,508	-	586,589	-
2270	Claims payable		313,586	-	41,741	-
2310	Current income tax liabilities		1,446,987	-	3,671,592	1
2320	Advance receipts		237,772	-	252,312	-
2330	Long-term liabilities-current portion	6(20)(21)	24,305,569	6	13,579,045	4
2335	Current lease liabilities	7	573,266	-	422,689	-
2350	Other current liabilities	6(9)(24)(25)	30,610,509	8	17,732,741	5
	Total current liabilities		<u>301,581,096</u>	<u>74</u>	<u>228,379,527</u>	<u>65</u>
Non-current liabilities						
2550	Long-term loans	6(21)	12,399,285	3	4,736,583	1
2600	Provisions	6(9)(24)	8,716,614	2	8,221,857	2
2620	Guarantee deposits received	6(25)	8,254,408	2	8,284,297	3
2625	Non-current lease liabilities	7	1,807,561	1	1,702,444	1
2630	Deferred income tax liabilities	6(34)	4,230,074	1	3,822,039	1
2660	Other liabilities		36	-	72	-
	Total non-current liabilities		<u>35,407,978</u>	<u>9</u>	<u>26,767,292</u>	<u>8</u>
2XXX	Total Liabilities		<u>336,989,074</u>	<u>83</u>	<u>255,146,819</u>	<u>73</u>
Equity attributable to shareholders of the parent						
	Share capital	6(26)				
3110	Common stock		5,461,792	1	5,461,792	1
	Capital surplus	6(27)				
3200	Capital surplus		2,898,044	1	2,807,477	1
	Retained earnings	6(28)				
3310	Legal reserve		15,553,282	4	13,925,963	4
3320	Special reserve		381,843	-	381,843	-
3330	Unappropriated earnings		16,165,239	4	47,944,833	14
	Other equity					
3400	Other equity		1,304,787	-	3,248,943	1
31XX	Total equity attributable to shareholders of the parent		<u>41,764,987</u>	<u>10</u>	<u>73,770,851</u>	<u>21</u>
32XX	Non-controlling interest		<u>27,807,076</u>	<u>7</u>	<u>20,695,114</u>	<u>6</u>
3XXX	Total equity		<u>69,572,063</u>	<u>17</u>	<u>94,465,965</u>	<u>27</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after balance sheet date	11				
	Total liabilities and equity		<u>\$ 406,561,137</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
Revenues						
4010	Interest income	6(3)(30)	\$ 16,457,155	7	\$ 12,392,244	5
4020	Premiums revenue	6(31)	9,335,184	4	8,540,632	4
4040	Reinsurance commission revenue		580,925	-	516,439	-
4050	Fee income		11,030	-	11,361	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	2,243,159	1	2,007,473	1
4090	Gain on financial assets and liabilities at fair value through profit or loss	6(2)	-	-	1,044,814	-
4105	Realized gains (losses) on financial assets at fair value through other comprehensive income		343,831	-	368,838	-
4160	Net sales revenue	6(29) and 7				
4161	Sales revenue		200,625,647	81	208,609,408	85
4162	Sales returns		(1,366,450)	-	(1,023,885)	-
4163	Sales discounts and allowances		(4,158,084)	(2)	(4,319,525)	(2)
4170	Rental revenue		17,332,880	7	15,130,969	6
4180	Service revenue	6(29) and 7	2,266,603	1	1,986,692	1
4210	Gains on disposals of property, plant and equipment		8,390	-	20,069	-
4220	Gains on disposals of assets held for sale		14,704	-	-	-
4230	Income from investment property	6(14)	177,681	-	165,574	-
4260	Foreign exchange gains		439,526	-	586,123	-
4270	Other income		1,441,007	1	1,118,226	-
4245	Gains (losses) on using overlay approach of investment	6(2)	706,971	-	(216,514)	-
4280	Unrealized profit from sales		(44,701)	-	(66,381)	-
4290	Realized profit from sales		66,381	-	44,478	-
	Total revenues		<u>246,481,839</u>	<u>100</u>	<u>246,917,035</u>	<u>100</u>
Expenses						
5010	Interest expense		(3,195,346)	(1)	(1,930,041)	(1)
5030	Underwriting expenses		(1,247)	-	(610)	-
5040	Commission expenses	7	(5,723,918)	(2)	(5,023,853)	(2)
5050	Claims payment		(34,267,410)	(14)	(3,909,800)	(2)
5070	Net changes in other insurance liabilities	6(9)	(10,866,379)	(4)	(900,398)	-
5110	Loss on financial assets and liabilities at fair value through profit or loss	6(2)	(1,270,855)	(1)	-	-
5190	Cost of sales	6(7) and 7	(170,525,663)	(69)	(178,774,358)	(72)
5200	Cost of rental revenue		(13,899,128)	(6)	(12,460,045)	(5)
5210	Cost of services		(2,171,892)	(1)	(1,542,654)	(1)
5230	Operating expenses	6(32)(33) and 7				
5231	Selling expenses		(10,043,679)	(4)	(9,151,095)	(4)
5232	General and administrative expenses		(5,962,755)	(2)	(6,865,883)	(3)
5233	Research and development expenses		(122,665)	-	(110,888)	-
5286	Expected credit impairment loss of investment		(205)	-	(11)	-
5287	Expected credit impairment loss of non-investment	12(2)	(1,858,003)	(1)	(1,138,349)	-
5270	Expenses and losses from investment property	6(14)	(37,803)	-	(34,485)	-
5280	Impairment losses	6(16)	(1,092,475)	(1)	-	-
5320	Other expenses		(77,299)	-	(103,906)	-
	Total expenses		<u>(261,116,722)</u>	<u>(106)</u>	<u>(221,946,376)</u>	<u>(90)</u>
6100	(Loss) Income before income tax from continuing operations		(14,634,883)	(6)	24,970,659	10
6200	Income tax expense	6(34)	(1,111,075)	-	(5,412,569)	(2)
6500	(Loss) Profit for the year		<u>(\$ 15,745,958)</u>	<u>(6)</u>	<u>\$ 19,558,090</u>	<u>8</u>

(Continued)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Years ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income (loss) for the period						
Components of other comprehensive income (loss) that may not be reclassified to profit or loss						
6617	(Loss) gain from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 1,481,541)	(1)	\$ 1,210,657	-
6625	Share of other comprehensive income of associates and joint ventures accounted for using equity method-components of other comprehensive income		79,718	-	72,921	-
6610	Total components of other comprehensive (loss) income that may not be reclassified to profit or loss		(1,401,823)	(1)	1,283,578	-
6650	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
6651	Financial statement translation differences of foreign operations		228,809	-	(79,964)	-
6659	Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(75,086)	-	(31,406)	-
6661	Gain (loss) on hedging instrument	6(4)	266,365	-	(89,303)	-
6675	Other comprehensive (loss) income reclassified by using overlay approach	6(2)	(706,971)	-	216,514	-
6665	Share of other comprehensive income of associates and joint ventures accounted for using the equity method-components of other comprehensive income		44,954	-	12,780	-
6689	Income tax related to components of other comprehensive income	6(34)	(42,947)	-	21,839	-
	Total components of other comprehensive income that will be reclassified to profit or loss		(284,876)	-	50,460	-
6600	Other comprehensive (loss) income for the year		(\$ 1,686,699)	(1)	\$ 1,334,038	-
6700	Total comprehensive (loss) income for the year		(\$ 17,432,657)	(7)	\$ 20,892,128	8
Profit (loss) attributable to:						
6810	Owners of parent		(\$ 19,330,194)	(8)	\$ 16,210,758	7
6820	Non-controlling interests		3,584,236	2	3,347,332	1
			(\$ 15,745,958)	(6)	\$ 19,558,090	8
Comprehensive income (loss) attributable to:						
6910	Owners of parent		(\$ 21,172,847)	(9)	\$ 17,589,052	7
6920	Non-controlling interests		3,740,190	2	3,303,076	1
			(\$ 17,432,657)	(7)	\$ 20,892,128	8
	Basic (loss) earnings per share	6(35)	(\$ 35.39)		\$ 29.68	
	Diluted (loss) earnings per share	6(35)	(\$ 35.39)		\$ 29.66	

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent										Non-controlling interests	Total equity
		Retained Earnings					Other equity interest						
		Share capital common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other comprehensive income(loss) reclassified by using overlay approach	Gain (loss) on hedging instruments	Total		
For the year ended December 31, 2021													
Balance at January 1, 2021		\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	(\$ 496,286)	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342
Profit for the year		-	-	-	-	16,210,758	-	-	-	-	16,210,758	3,347,332	19,558,090
Other comprehensive(loss) income for the year		-	-	-	-	62,427	(59,837)	1,196,005	213,896	(34,197)	1,378,294	(44,256)	1,334,038
Total comprehensive income		-	-	-	-	16,273,185	(59,837)	1,196,005	213,896	(34,197)	17,589,052	3,303,076	20,892,128
Appropriation and distribution of retained earnings:	6(28)												
Legal reserve		-	-	1,381,630	-	(1,381,630)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(9,285,046)	-	-	-	-	(9,285,046)	(1,650,738)	(10,935,784)
Changes in equity of associates and joint ventures accounted for using equity method		-	(721)	-	-	-	-	-	-	-	(721)	-	(721)
Changes in ownership interests in subsidiaries		-	7,116	-	-	-	-	-	-	-	7,116	(7,116)	-
Reorganisation	6(36)	-	(17,254)	-	-	-	-	-	-	-	(17,254)	17,254	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	625,000	625,000
Balance at December 31, 2021		\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	(\$ 556,123)	\$ 3,265,105	\$ 563,781	(\$ 23,820)	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965
For the year ended December 31, 2022													
Balance at January 1, 2022		\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	(\$ 556,123)	\$ 3,265,105	\$ 563,781	(\$ 23,820)	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965
Profit(loss) for the year		-	-	-	-	(19,330,194)	-	-	-	-	(19,330,194)	3,584,236	(15,745,958)
Other comprehensive(loss) income for the year		-	-	-	-	101,503	232,571	(1,565,761)	(703,869)	92,903	(1,842,653)	155,954	(1,686,699)
Total comprehensive income		-	-	-	-	(19,228,691)	232,571	(1,565,761)	(703,869)	92,903	(21,172,847)	3,740,190	(17,432,657)
Appropriation and distribution of retained earnings:	6(28)												
Legal reserve		-	-	1,627,319	-	(1,627,319)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(10,923,584)	-	-	-	-	(10,923,584)	(1,992,722)	(12,916,306)
Difference between proceeds on disposal of equity interest in subsidiary and its carrying amount	6(36)	-	119,102	-	-	-	-	-	-	-	119,102	(120,102)	(1,000)
Changes in ownership interests in subsidiaries		-	(27,638)	-	-	-	-	-	-	-	(27,638)	37,656	10,018
Reorganization		-	(897)	-	-	-	-	-	-	-	(897)	897	-
Changes in non-controlling interests	6(36)	-	-	-	-	-	-	-	-	-	-	5,446,043	5,446,043
Balance at December 31, 2022		\$ 5,461,792	\$ 2,898,044	\$ 15,553,282	\$ 381,843	\$ 16,165,239	(\$ 323,552)	\$ 1,699,344	(\$ 140,088)	\$ 69,083	\$ 41,764,987	\$ 27,807,076	\$ 69,572,063

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Notes	Year ended December 31	
		2022	2021
Cash flows from operating activities			
Consolidated (loss) profit before income tax		(\$ 14,634,883)	\$ 24,970,659
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(11)(12)(14)(32)	11,906,847	10,628,663
Amortization	6(32)	125,903	124,275
Excepted credit loss and financial guarantee expense		23,556	45,410
Expected credit impairment loss (gain on reversal) of investment		205	11
Expected credit impairment loss of non-investment		1,858,003	1,138,349
Profit or loss reclassified by applying overlay approach		(706,971)	216,514
Net gain (loss) on financial assets and liabilities at fair value through profit or loss	6(2)	1,270,855	(1,044,814)
Interest income	6(30)	(16,457,155)	(12,392,244)
Dividend income		(366,156)	(369,313)
Interest expense		3,195,346	1,930,041
Compensation cost of share-based payments		10,150	-
Share of profit of associates accounted for using the equity method	6(10)	(2,243,159)	(2,007,473)
Net gain on disposal of property, plant and equipment		(8,390)	(20,069)
Net gain on disposal of assets held for sale		(14,704)	-
Impairment loss	6(16)	1,092,475	-
Impairment loss (reversal gain) of rental assets	6(11)	(4,236)	10,521
Unrealized profit from sales		44,701	66,381
Realized profit from sales		(66,381)	(44,478)
Exchange gain (loss)		(73,044)	(37,796)
Profit from lease modification	6(12)	(2,342)	(2,133)
Changes in operating assets and liabilities relating to operating activities			
Net changes in operating assets relating to operating activities			
Financial assets at fair value through profit or loss		1,922,497	(885,265)
Contract assets		(27,927)	(5,433)
Notes and accounts receivable		49,275,183	41,088,846
Other receivables		(310,698)	(20,163)
Inventories		2,364,051	7,028,067
Prepayments		(433,944)	(142,430)
Reinsurance contract assets		(1,040,338)	(970,115)
Net changes in operating liabilities			
Financial liabilities at fair value through profit or loss		134,828	(34,391)
Contract liabilities		146,896	(71,722)
Notes and accounts payable		2,677,612	1,831,052
Accrued expenses		(544,183)	801,070
Other payables		258,581	184,973
Commission payable		(52,364)	110,434
Due to reinsurance and ceding companies		227,919	90,907
Claims payable		271,845	22,198
Advance receipts		(14,540)	8,902
Other current liabilities		11,401,892	1,693,350
Provisions		494,757	1,370,752
Other liabilities		(36)	(36)
Cash outflow generated from operations		(46,847,715)	(10,526,296)
Interest received		16,429,573	12,418,354
Cash dividends received		1,350,741	1,414,582
Interest paid		(3,031,610)	(1,937,333)
Income tax paid		(5,094,375)	(3,869,239)
Net cash flows used in operating activities		(37,193,386)	(2,499,932)

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Year ended December 31	
		2022	2021
<u>Cash flows from investing activities</u>			
Increase in financial assets at fair value through other comprehensive income		\$ -	(\$ 16,232)
Decrease in financial assets at fair value through other comprehensive income		730,053	-
Acquisition of investments accounted for using the equity method	6(10)	(31,850)	-
Acquisition of property, plant and equipment	6(11)	(24,764,385)	(20,975,415)
Proceeds from disposal of property, plant and equipment		299,900	455,604
Acquisition of investment properties	6(14)	(299)	(227,805)
Acquisition of intangible assets	6(15)	(53,172)	(174,791)
Increase in other financial assets		(487,576)	(339,769)
Increase in other assets		(8,970,519)	(2,035,778)
Proceeds from the capital reduction of investments accounted for using the equity method		13,229	-
Disposal of assets held for sale		30,147	-
Acquisition of subsidiaries		(13,228)	-
Net cash flows used in investing activities		(33,247,700)	(23,314,186)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(20)	10,000,000	5,200,000
Repayment of bonds	6(37)	-	(2,400,000)
Increase in short-term loans	6(37)	38,382,291	18,643,001
Increase in short-term notes and bills payable	6(37)	9,778,871	20,839,467
Proceeds from long-term loans	6(37)	9,964,568	3,134,051
Repayments of long-term loans	6(37)	(1,590,000)	(3,001,727)
Increase in guarantee deposits received	6(37)	1,445,987	1,667,452
Cash dividends paid	6(28)	(10,923,584)	(9,285,046)
Repayment of principal portion of lease liability	6(37)	(478,387)	(627,468)
Cash dividends paid from subsidiaries to non-controlling interests		(1,992,722)	(1,650,738)
Preference share issued by subsidiaries		5,000,000	-
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	4(3)	332,350	-
Change in non-controlling interests		112,695	625,000
Net cash flows from financing activities		60,032,069	33,143,992
Net effect of changes in foreign currency exchange rates		224,998	(42,285)
Net (decrease) increase in cash and cash equivalents		(10,184,019)	7,287,589
Cash and cash equivalents at beginning of year		25,813,580	18,525,991
Cash and cash equivalents at end of year		\$ 15,629,561	\$ 25,813,580

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

HO TAI MOTOR COMPANY LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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 authorized for issuance by the Board of Directors on March 14, 2022.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments that came into effect as endorsed by the FSC and became into effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

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

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

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

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

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial Application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with contracts’	January 1, 2024

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

A. IFRS 17, ‘Insurance contracts’

IFRS 17 ‘Insurance Contracts’ replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall disaggregate a portfolio into three groups of contracts at initial recognition: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement

is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to separately present insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, 'Insurance contracts'

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'

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

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

specific statutory requirements and regulations relevant to insurance enterprises.

- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

(f) The consolidated financial statements are prepared based on the valuation and disclosures of the entities' financial statements audited by the independent auditors.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100	100	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100	100	
Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	92.86	-	Note 23
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100	100	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51	51	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100	100	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20	20	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	70	100	Note 3,13
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	50	50	Note 1, 6
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18	-	Note 1, 14
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Sales of vehicle bodies	100	-	Note 17
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tianjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70	70	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100	100	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75	75	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	

Investor	Investee	Main business activities	Ownership (%)		
			December 31, 2022	December 31, 2021	Note
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100	100	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., LTD.	Sales and repairing of vehicles	70	70	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70	70	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100	100	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd	Sales and repairing of vehicles	70	-	Note 12
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25	25	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	Note 1, 5
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100	100	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	Note 1, 15
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100	100	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100	100	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	40	40	Note 1, 10, 20
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	Note 1, 5
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30	30	Note 1, 10, 20
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30	30	Note 1, 10, 20
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	7.13	99.8	Note 1, 23
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.1	41.1	Note 1, 7
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.4	27.4	Note 1, 7

Investor	Investee	Main business activities	Ownership (%)		
			December 31, 2022	December 31, 2021	Note
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd	Taxi service	100	100	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd	Taxi service	100	100	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.5	50.5	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.5	49.5	Note 1
Hotai Finance Co., Ltd.	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	50.82	50.82	
Hotai Connected Co., Ltd	HOING MOBILITY SERVICE CORPORATION	Leasing of vehicles	49.18	49.18	Note 1, 4
Hotai Connected Co., Ltd	Ho Young Travel Agency Co., Ltd.	Tourism industry	100	-	Note 16
Hotai Finance Co., Ltd.	HE JING CO., LTD.	Installment trading of various vehicles	81	81	Note 10
Hotai Finance Co., Ltd	He Jun Energy Co., Ltd	Solar power	80	-	Note 14
He Jun Energy Co., Ltd	Wei Tien Energy Storage Co.,Ltd	Energy storage	100	-	Note 18
He Jun Energy Co., Ltd	Chaoyang Energy Co., Ltd.	Solar power	90	-	Note 22
He Jun Energy Co., Ltd	Guang Yang Energy Co., Ltd.	Solar power	90	-	Note 22
He Jun Energy Co., Ltd	XianYao Energy Co., Ltd.	Solar power	90	-	Note 22
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100	100	Note 19
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100	100	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	100	100	Note 8
Hoyun International Lease Co., Ltd	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100	-	Note 15
Hoyun International Lease Co., Ltd	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100	-	Note 15
Hoyun International Lease Co., Ltd	Homei Consulting (Suzhou) Company Limited	Consulting services	100	-	Note 16
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	-	100	Note 21
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	General investment	100	-	Note 21
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100	100	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100	100	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100	100	
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51	51	
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100	100	
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100	100	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	-	100	Note 21
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100	100	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100	100	

Investor	Investee	Main business activities	Ownership (%)		Note
			December 31, 2022	December 31, 2021	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100	100	
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	Wholesale and retail of vehicles parts and accessories	100	100	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	Note 1, 7
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-commerce platform services	0.5	-	Note 1, 13
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Assembly of vehicle bodies	20	20	Note 6
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	Sales of vehicle bodies	-	100	Note 9, 17

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

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

Note 3: On January 21, 2021, the Company increased investment in Hotai Connected Co., Ltd. in the amount of \$300,000 and acquired 30,000,000 shares.

Note 4: On January 28, 2021, the Company's subsidiary, Hotai Leasing Co., Ltd., disposed of all its shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. for \$360,000; as a result, its shareholding ratio decreased to 0%. However, Hotai Connected Co., Ltd. increased its shareholding ratio to 49.18%.

Note 5: On March 5, 2021, the Company's subsidiaries, Shanghai Hoyu Motor Service Co., Ltd., Shanghai Heling Motor Service Co., Ltd. and Shanghai Hozhan Motor Service Co., each invested RMB 400 thousand to participate in the capital increase of Shanghai Hede Used Vehicle Co., Ltd., which was not in proportion to its interests; as a result, each subsidiary increased its shareholding ratio to 23.81%.

Note 6: On March 30, 2021, the Company and its subsidiary, Chang Yuan Motor Co., Ltd., invested \$500,000 and \$200,000, respectively, to participate in the capital increase of Ho Xing International Automobile Co., Ltd.; as a result, their shareholding ratios increased to 50% and 20%, respectively. The investee was renamed as Hotai AutoBody Manufacturing Co., Ltd. on April 29, 2021.

Note 7: On April 29, 2021, the Company's subsidiary, Eastern Motor Co., Ltd. participated in the capital increase of Hotai Mobility Service Co., Ltd. amounting to \$3 million. The shareholding ratio was 0.68%. As subsidiaries, Hotai Connected Co., Ltd. and Hotai Finance Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Mobility Service Co., Ltd. decreased to 41.10% and 27.40% from 60% and 40%, respectively.

Note 8: The subsidiary was established in the first quarter of 2021.

Note 9: The subsidiary was established in the third quarter of 2021.

Note 10: The subsidiary was established in the fourth quarter of 2021.

Note 11: The Board of Directors of subsidiaries, Hotai Innovation Marketing Corporation and Hotai Connected Co., Ltd., resolved to merge. The effective date was set on December 31, 2021. After the merger, Hotai Connected Co., Ltd. was the surviving company while Hotai Innovation Marketing Corporation was the dissolved company.

Note 12: Qingdao Heling Lexus Automobile Sale Service Co., Ltd. was newly invested and established by Hotong Motor Investment Co., Ltd. in December 2021. The investment amounted to RMB \$21 million and the Company's shareholding ration was 70%.

Note 13: On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at the consideration of \$337,983 (net of transfer tax), and the Company's subsidiary, Eastern Motor Co., Ltd. participated in subscribing shares and the shareholding ratio was increased from 0% to 0.5%.

Note 14: On February 22, 2022, the Company and the Company's subsidiary, Hotai Finance Co., Ltd. participated in the capital increase of He Jun Energy Co., Ltd. amounting to \$180,000 and \$800,000, and the shareholding ratio was 18% and 80%, respectively

Note 15: The subsidiary was acquired in May, 2022.

Note 16: The subsidiary was established in June, 2022.

Note 17: On August 4, 2022, the Company's subsidiary, Hotai Auto Body Manufacturing Co., Ltd. disposed of 100% of the shares of Hotai Auto Body Sales Co., Ltd. to the Company at the consideration of \$40,000.

Note 18: The subsidiary was acquired in September, 2022.

Note 19: Hoyun International Lease Co., Ltd. was renamed as Hoyun International Lease Co., Ltd. in September, 2022.

Note 20: Shanghai Hekang Equipment Leasing Co., Ltd. was renamed as Tianjin Hekang Finance Leasing Co., Ltd. in September, 2022.

Note 21: Ichiban International Co., Ltd. and Air Master International Co., Ltd. resolved to merge, and Air Master International Co., Ltd. was the surviving company.

Note 22: The subsidiary was acquired in the fourth quarter of 2022.

Note 23: On October 11, 2022 and December 14, 2022, the Company participated in the capital increase of the Company's subsidiary, Hotai Insurance Co., Ltd. amounting to \$20,000,000 and \$6,000,000, respectively. As a result, its shareholding ratio would be 92.86% after the capital increase. As subsidiaries, Hozan Investment Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Insurance Co., Ltd. decreased to 7.13% from 99.8%.

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 December 2022 and 2021, the non-controlling interest amounted to \$27,807,076, \$20,695,114, 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			
		December 31, 2022		December 31, 2021	
		Amount	Ownership (%)	Amount	Ownership (%)
Hotai Finance Co., Ltd.	Taiwan	\$ 18,369,237	54.61% (note)	\$ 12,426,650	54.61%
Hotai Leasing Co., Ltd.	Taiwan	1,807,397	33.96%	1,633,775	33.96%

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

Summarized financial information of the subsidiaries:

Balance sheets

	Hotai Finance Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 236,804,466	\$ 188,826,138
Non-current assets	18,560,622	12,733,058
Current liabilities	(221,376,661)	(175,220,568)
Non-current liabilities	(1,095,413)	(844,949)
Total net assets	\$ 32,893,014	\$ 25,493,679

	Hotai Leasing Co., Ltd.	
	December 31, 2022	December 31, 2021
Current assets	\$ 4,225,639	\$ 3,779,647
Non-current assets	40,116,388	35,248,653
Current liabilities	(24,857,667)	(20,097,307)
Non-current liabilities	(14,161,911)	(14,119,829)
Total net assets	\$ 5,322,449	\$ 4,811,164

Statements of comprehensive income

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2022	2021
Revenue	\$ 22,787,250	\$ 17,957,948
Profit before income tax	5,356,518	4,663,609
Income tax expense	(1,286,934)	(1,133,417)
Profit for the period	4,069,584	3,530,192
Other comprehensive (loss) income for the period, net of tax	281,385	(90,494)
Total comprehensive income for the year	\$ 4,350,969	\$ 3,439,698
Comprehensive income attributable to non-controlling interests	\$ 2,118,260	\$ 1,670,932

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2022	2021
Revenue	\$ 20,098,181	\$ 17,935,280
Profit before income tax	1,411,036	1,282,509
Income tax expense	(330,639)	(288,682)
Profit for the period	1,080,397	993,827
Other comprehensive (loss) income for the period, net of tax	26,047	(8,560)
Total comprehensive income for the year	\$ 1,106,444	\$ 985,267
Comprehensive income attributable to non-controlling interests	\$ 375,726	\$ 334,577

Statements of cash flows

	Hotai Finance Co., Ltd.	
	Years ended December 31,	
	2022	2021
Net cash used in operating activities	(44,038,878)	(34,518,927)
Net cash used in investing activities	(2,547,415)	(3,470,781)
Net cash provided by financing activities	47,820,744	38,673,525
Net effect of changes in foreign currency exchange rates	89,751	(15,664)
Increase in cash and cash equivalents	1,324,202	668,153
Cash and cash equivalents, beginning of year	1,058,573	390,420
Cash and cash equivalents, end of year	\$ 2,382,775	\$ 1,058,573

	Hotai Leasing Co., Ltd.	
	Years ended December 31,	
	2022	2021
Net cash provided by operating activities	\$ 15,868,242	\$ 13,703,941
Net cash used in investing activities	(19,025,092)	(15,757,326)
Net cash provided by financing activities	3,167,346	2,076,099
Increase in cash and cash equivalents	10,496	22,714
Cash and cash equivalents, beginning of year	109,655	86,941
Cash and cash equivalents, end of year	\$ 120,151	\$ 109,655

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

B. Translation of foreign operations

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

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

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

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

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

they are classified as non-current liabilities:

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

(6) Cash equivalents

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

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

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

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

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

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

D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

E. The group reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:

- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach if IFRS 9 had been applied ; and
- (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

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

(9) Accounts and notes receivable

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

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

- A. For financial assets at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.
- B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:
 - (a) Financial assets at fair value through other comprehensive income
 - Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.

(b) Financial assets at amortized cost

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

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

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

(13) Derecognition of financial assets

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

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

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

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

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

(b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

(c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

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

(15) Inventories

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

(16) Assets held for sale

Assets that are highly probable to be sold in the future rather than recovering their carrying

amount through sustaining use are classified as assets held for sale by the Company's subsidiary which was measured at the lower of its carrying amount or fair value less costs to sell.

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

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

(18) Property, plant and equipment

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

during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate or the interest rate implicit in the lease. Lease payments are fixed payments, less any lease incentives receivable.
The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.
- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.
The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(20) Investment property

- A. An investment property is stated initially at its cost and measured subsequently using the cost model.
- B. The significant improvements, additions and betterments of an item of investment property shall

be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.

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

(21) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 3~5 years.

B. Goodwill

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

C. Client relationship

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

D. Trademark right

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised,

but is tested annually for impairment.

(22) Impairment of non-financial assets

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

(23) Borrowings

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

(24) Notes and accounts payable

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

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

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(26) Derecognition of financial liabilities

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

(27) Ordinary corporate bonds

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

(28) Financial guarantee contracts

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

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

(29) Non-hedging and embedded derivatives

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

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

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

(30) Hedge accounting

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

B. The Group designates the hedging relationship as follows:

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

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

C. Cash flow hedges

- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):
 - i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
 - ii. The cumulative change in fair value of the hedged item from inception of the hedge.
- (b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.
- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:
 - i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.
 - ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
 - iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.
- (d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

D. Fair value hedges

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

(31) Provisions

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

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

(32) Employee benefits

A. Short-term employee benefits

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

B. Pensions

Defined contribution plans

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

C. Termination benefits

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

D. Employees' compensation and directors' remuneration

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

(33) Classification of insurance contracts

The insurance and reinsurance businesses of the subsidiary, Hotai Insurance Co., Ltd. for insurance contracts newly issued or undertaken are accounted for in accordance with IFRS 4. They are tested in accordance with the subsidiary's internal control procedures to classify newly issued insurance products. Currently, insurance policies sold by Hotai Insurance Co., Ltd. are all insurance contracts. Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by Hotai Insurance Co., Ltd. refers to an occurrence of any event or incident that leads to Hotai Insurance Co., Ltd.'s additional significant payment.

(34) Direct insurance income and expenses

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

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

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

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

(35) Reinsurance contract

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

With the classification of reinsurance contracts, 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.

(36) Salvage and subrogation

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

(37) Underwriting pools and coinsurance

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.

(38) 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.

(39) Income tax

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

(40) Employee share-based payment

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

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

(41) Share capital

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

(42) Dividends

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

(43) Revenue recognition

A. Sales of goods

- (a) The Group sells vehicles and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- (f) Installment sales for vehicles - the 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(34) and (35).

(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.

(44) Operating segments

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

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

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

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

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns refund liabilities for sales returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically. Please refer to Note 6(29) for

the information of sales of goods.

B. Provisions for warranty

In order to enhance customers' confidence on the quality of products, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(24) "Provisions" for more information.

C. Evaluation of allowance for uncollectible accounts

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

D. Insurance liabilities

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

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

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

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

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

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

Analysis of insurance risk sensitivity is provided in Note 12(7) B.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 15,799	\$ 15,980
Checking accounts and demand deposits	10,454,929	12,272,486
Cash equivalents		
Time deposits	595,460	1,944,899
Short-term notes and bills	4,563,373	11,580,215
	<u>\$ 15,629,561</u>	<u>\$ 25,813,580</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 December 31, 2022 and 2021, the Group presented its long-term time deposits of \$2,690,156 and \$1,828,223, 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>December 31, 2022</u>	<u>December 31, 2021</u>
Financial assets at fair value through profit or loss		
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Domestic and foreign beneficiary certificates	\$ 1,546,818	\$ 2,947,462
Derivative instruments	57,587	12,587
Financial instruments	703,187	683,213
Listed stocks	1,180,507	1,810,312
Listed preference share	59,980	59,980
Exchange Traded Funds	1,172,594	1,598,055
Valuation adjustment	(130,144)	647,593
	<u>\$ 4,590,529</u>	<u>\$ 7,759,202</u>
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Corporate bonds	<u>\$ 1,011,039</u>	<u>\$ 1,035,718</u>
Financial liabilities at fair value through profit or loss		
Current items:		
Financial liabilities held for trading		
Derivative instruments	<u>\$ 162,608</u>	<u>\$ 27,780</u>

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

Items	Years ended December 31,	
	2022	2021
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	(\$ 168,589)	\$ 45,454
Domestic and foreign beneficiary certificates	(161,029)	89,721
Financial instruments	1,608	(827)
Listed stocks	(577,356)	668,521
Listed preference share	(4,342)	906
Exchange Traded Funds	(370,968)	222,211
Corporate bonds	9,821	18,828
	<u>(\$ 1,270,855)</u>	<u>\$ 1,044,814</u>

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

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

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

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

- C. The Group has no financial assets at fair value through profit or loss pledged to others.
- D. On December 31, 2022 and 2021, such financial assets designated using overlay approach are as follows:

Items	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss designated using overlay approach		
Listed stocks	\$ 642,442	\$ 1,445,876
Listed preference shares	59,980	59,980
Exchange Traded Funds	1,172,594	1,598,055
Beneficiary certificates	310,000	1,182,000
Foreign beneficiary certificates	152,730	404,245
Corporate bonds	500,000	500,000
Valuation adjustment	(70,758)	636,213
	<u>\$ 2,766,988</u>	<u>\$ 5,826,369</u>

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

	Years ended December 31,	
	2022	2021
Gains recognized in profit or loss under IFRS 9	(\$ 936,568)	\$ 1,059,371
Less: Gains recognized in profit or loss under IAS 39	(229,597)	842,857
Loss reclassified under overlay approach	(\$ 706,971)	\$ 216,514
Effect from change in tax	(\$ 1,649)	\$ 2,195

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 December 31, 2022	Book value at December 31, 2021	Description
Infrastructure fund	\$ -	\$ 330,683	Note
Real estate private placement fund	\$ 177,738	\$ 106,812	Note

Note: Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

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

(c) The Group recognized equity of the structured entities which were not consolidated into the financial statements under financial assets at fair value through profit or loss. The maximum exposed risk of such entities is the carrying amount of held assets, and the related risk exposure of the investment position is restricted by contract terms and issuance terms. Please refer to Note 12 for more information.

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

Items	December 31, 2022	December 31, 2021
Current items:		
Debt instrument		
Government bonds	\$ 250,562	\$ -
Financial bonds	-	200,418
Foreign financial bonds	169,012	119,319
	419,574	319,737
Valuation adjustment (including loss allowance)	(1,153)	2,387
Less: Operation bonds	(202,100)	-
	\$ 216,321	\$ 322,124
Non-current items:		
Debt instrument		
Government bonds	\$ 405,004	\$ 363,789
Corporate bonds	-	302,895
Financial bonds	-	304,846
Foreign corporate and financial bonds	560,161	594,669
	965,165	1,566,199
Valuation adjustment (including loss allowance)	(44,031)	27,466
Less: Operation bonds	(398,200)	(300,300)
	522,934	1,293,365
Equity instruments		
Listed stocks and unlisted stocks	6,511,139	6,440,249
Valuation adjustment	1,377,721	2,859,262
	7,888,860	9,299,511
	\$ 8,411,794	\$ 10,592,876

- 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 \$7,888,860 and \$9,299,511, respectively, as at December 31, 2022 and 2021.
- B. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of December 31, 2022, government bonds with par value of \$600,300 and cash of \$3,600,000 were deposited. And as of December 31, 2021, government bonds with par value of \$300,300 were deposited.

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

Items	Years ended December 31,	
	2022	2021
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 97,362)	(\$ 31,900)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(49)	19
Reclassified due to derecognition	22,325	475
	<u>(\$ 75,086)</u>	<u>(\$ 31,406)</u>
Interest income recognized in profit or loss	<u>\$ 33,908</u>	<u>\$ 35,024</u>

Items	Years ended December 31,	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>(\$ 1,481,541)</u>	<u>\$ 1,210,657</u>

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

(4) Hedging financial assets and liabilities

	December 31, 2022		December 31, 2021	
	Current assets	Current liabilities	Current assets	Current liabilities
Cash flow hedges				
<u>Exchange rate risk and interest rate risk</u>				
Cross currency swaps	<u>\$ 504,807</u>	<u>(\$ 586,800)</u>	<u>\$ -</u>	<u>(\$ 578,276)</u>
Fair value hedges				
<u>Exchange rate risk</u>				
Forward exchange contracts	<u>\$ -</u>	<u>(\$ 135)</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

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

	December 31, 2021					Year ended December 31, 2021			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rates	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	JPY	33,800,000	2020/8/5~ 2024/9/9	\$ -	(\$ 578,276)	\$ -	0.25~0.28	0.83~1.08	\$ -

	December 31, 2021	
	Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items		
Cash flow hedges		
<u>Exchange rates risk and interest</u>		
<u>rate risk</u>		
Short-term borrowings	\$ 8,635,200	(\$ 512,680)

C. Cash flow hedges

	Years ended December 31,	
	2022	2021
<u>Cash flow hedge reserve</u>		
At January 1	(\$ 52,476)	\$ 16,894
Less: Losses on hedge effectiveness-amount recognized	324,887	(81,209)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	(58,522)	(6,399)
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive	(57,232)	18,238
At December 31	<u>\$ 156,657</u>	<u>(\$ 52,476)</u>

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

D. Fair value hedges

Exchange rate risk

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 2,400,961	\$ 2,063,891
Installment notes receivable	9,279,605	8,333,934
Accounts receivable	6,745,500	5,266,711
Installment accounts receivable	234,142,170	178,995,777
Lease payments and notes receivable	29,614,771	24,394,947
Premiums receivable	651,590	751,027
Overdue receivable	<u>21,806</u>	<u>37,523</u>
	282,856,403	219,843,810
Less: Unrealized interest income	(28,830,021)	(19,093,881)
Unearned finance income	(2,853,897)	(2,349,549)
Allowance for doubtful accounts	<u>(47,780,044)</u>	<u>(3,782,588)</u>
Notes and accounts receivable, net	<u>\$ 203,392,441</u>	<u>\$ 194,617,792</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	<u>\$ 237,928,633</u>	<u>\$ 190,535,009</u>
Non-current (shown as other assets)	<u>\$ 8,463,808</u>	<u>\$ 4,082,783</u>

A. As of December 31, 2022 and 2021, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$9,419,216 and \$5,349,850, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 279,767,763	\$ 218,003,316
Up to 30 days	373,922	221,315
31 to ~ 90 days	1,527,579	813,949
91 to ~ 180 days	878,628	444,285
Over 180 days	<u>306,511</u>	<u>360,945</u>
	<u>\$ 282,854,403</u>	<u>\$ 219,843,810</u>

The above aging analysis was based on past due date.

C. As of December 31, 2022 and 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$8,930,815 and \$7,394,968, respectively.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Up to 12 months	\$ 80,119,355	\$ 63,970,842
Over 12 months	<u>163,302,420</u>	<u>123,358,869</u>
	<u>\$ 243,421,775</u>	<u>\$ 187,329,711</u>

E. Lease payments receivable

Refer to Note 6(13) for more details.

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

(6) Offsetting financial assets and financial liabilities

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

December 31, 2022						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 5,455	\$ -	\$ 5,455	\$ 1,403	\$ -	\$ 4,052
Reverse repurchase agreement	320,649	-	320,649	-	287,664	32,985
	<u>\$ 326,104</u>	<u>\$ -</u>	<u>\$ 326,104</u>	<u>\$ 1,403</u>	<u>\$ 287,664</u>	<u>\$ 37,037</u>
Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 1,403	\$ -	\$ 1,403	\$ 1,403	\$ -	\$ -

December 31, 2021

Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 1,599	\$ -	\$ 1,599	\$ 58	\$ -	\$ 1,541
Reverse repurchase agreement	3,170,484	-	3,170,484	-	3,156,708	13,776
	<u>\$ 3,172,083</u>	<u>\$ -</u>	<u>\$ 3,172,083</u>	<u>\$ 58</u>	<u>\$ 3,156,708</u>	<u>\$ 15,317</u>
Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 58	\$ -	\$ 58	\$ 58	\$ -	\$ -

(7) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 7,309,864	(\$ 122,123)	\$ 7,187,741
Air conditioners and parts	3,422,269	(353,975)	3,068,294
Other goods	302,446	(6,091)	296,355
Inventory in transit	2,728,277	-	2,728,277
	<u>\$ 13,762,856</u>	<u>(\$ 482,189)</u>	<u>\$ 13,280,667</u>
	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 6,221,969	(\$ 110,743)	\$ 6,111,226
Air conditioners and parts	2,423,046	(316,741)	2,106,305
Other goods	268,512	(7,455)	261,057
Inventory in transit	1,536,297	-	1,536,297
	<u>\$ 10,449,824</u>	<u>(\$ 434,939)</u>	<u>\$ 10,014,885</u>

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

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

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 170,478,413	\$ 178,789,321
(Gain on reversal of) loss on market value decline of inventories	47,250	(14,963)
	<u>\$ 170,525,663</u>	<u>\$ 178,774,358</u>

The Group reversed a previous inventory write-down and recognised as decrease in cost of goods sold because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Group for the year ended December 31, 2021.

(8) Prepayments

	December 31, 2022	December 31, 2021
Prepayments to commissions	\$ 2,879,378	\$ 3,219,604
Prepayments to suppliers	3,697,687	3,289,417
Offset against business tax payable	278,118	532,498
Prepaid insurance premiums	641,196	565,330
Other prepayments	1,415,247	824,745
	<u>\$ 8,911,626</u>	<u>\$ 8,431,594</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	December 31, 2022	December 31, 2021
Claims recoverable from reinsurers	\$ 206,706	\$ 153,876
Due from reinsurance and ceding companies	180,747	127,160
Reinsurance reserve assets		
-Ceded unearned premium reserve	1,290,493	1,183,255
-Ceded claims reserve	2,489,734	1,661,846
Due from reinsurance and ceding companies -overdue	12,660	12,532
	4,180,340	3,138,669
Less: Loss allowance	(14,099)	(12,767)
	<u>\$ 4,166,241</u>	<u>\$ 3,125,902</u>
	December 31, 2022	December 31, 2021
Current	<u>\$ 2,964,445</u>	<u>\$ 2,396,571</u>
Non-current (shown as other assets)	<u>\$ 1,201,796</u>	<u>\$ 729,331</u>

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

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

	<u>2022</u>	<u>2021</u>
At January 1	\$ 12,767	\$ 16,792
(Reversal of) provision during the year	<u>1,332</u>	<u>(4,025)</u>
At December 31	<u>\$ 14,099</u>	<u>\$ 12,767</u>

C. Details of insurance liabilities are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unearned premium reserve	\$ 6,390,579	\$ 6,127,570
Claims reserve	11,379,006	5,309,570
Special reserve	1,647,788	1,921,235
Premium deficiency reserve	<u>5,898,278</u>	<u>-</u>
	<u>\$ 25,315,651</u>	<u>\$ 13,358,375</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current (shown as other current liabilities)	\$ 20,486,863	\$ 8,902,416
Non-current (shown as provisions)	<u>\$ 4,828,788</u>	<u>\$ 4,455,959</u>

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

	<u>2022</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 6,127,570	\$ 1,183,255	\$ 4,944,315
Provision during the year	6,390,579	1,290,493	5,100,086
Recovery during the year	<u>(6,127,570)</u>	<u>(1,183,255)</u>	<u>(4,944,315)</u>
At December 31	<u>\$ 6,390,579</u>	<u>\$ 1,290,493</u>	<u>\$ 5,100,086</u>

	<u>2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,483,854	\$ 1,070,363	\$ 4,413,491
Provision during the year	6,127,570	1,183,255	4,944,315
Recovery during the year	<u>(5,483,854)</u>	<u>(1,070,363)</u>	<u>(4,413,491)</u>
At December 31	<u>\$ 6,127,570</u>	<u>\$ 1,183,255</u>	<u>\$ 4,944,315</u>

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

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

	2022		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 6,334,023	\$ 1,436,202	\$ 4,897,821
Incurred but not reported	5,044,983	1,053,532	3,991,451
	<u>\$ 11,379,006</u>	<u>\$ 2,489,734</u>	<u>\$ 8,889,272</u>
	2021		
	Gross amount	Ceded amount	Net amount
Reported but not paid	\$ 2,620,679	\$ 849,535	\$ 1,771,144
Incurred but not reported	2,688,891	812,311	1,876,580
	<u>\$ 5,309,570</u>	<u>\$ 1,661,846</u>	<u>\$ 3,647,724</u>

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

	2022		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 5,309,570	\$ 1,661,846	\$ 3,647,724
Provision during the year	11,379,006	2,489,734	8,889,272
Recovery during the year	(5,309,570)	(1,661,846)	(3,647,724)
At December 31	<u>\$ 11,379,006</u>	<u>\$ 2,489,734</u>	<u>\$ 8,889,272</u>
	2021		
	Gross amount	Ceded amount	Net amount
At January 1	\$ 3,655,621	\$ 900,591	\$ 2,755,030
Provision during the year	5,309,570	1,661,846	3,647,724
Recovery during the year	(3,655,621)	(900,591)	(2,755,030)
At December 31	<u>\$ 5,309,570</u>	<u>\$ 1,661,846</u>	<u>\$ 3,647,724</u>

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

	2022		
	Gross amount	Ceded amount	Net amount
At January 1	\$ -	\$ -	\$ -
Provision during the year	5,898,278	-	5,898,278
Recovery during the year	-	-	-
At December 31	<u>\$ 5,898,278</u>	<u>\$ -</u>	<u>\$ 5,898,278</u>

G. Movement of special reserve is as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,921,235	\$ 1,913,531
Provision during the year	72,493	9,297
Recovery during the year	(345,940)	(1,593)
At December 31	<u>\$ 1,647,788</u>	<u>\$ 1,921,235</u>

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

H. Pursuant to Jin-Guan-Pao-Tsai Letter No. 11101405951, “Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders’ equity in accordance with IAS 12. If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to Hotai Insurance Co., Ltd. are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Decrease in special reserve under liability	\$ 33,450	\$ 379,390
Increase in special reserve under retained earnings	38,334	315,086

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Increase in net loss / decrease in net income before tax	\$ 345,940	\$ 1,593
Increase in loss / decrease in earnings per share before tax	0.510	0.008

I. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities as of December 31, 2022 and 2021.

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

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

(10) Investments accounted for using the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Kuozui Motors, Ltd.	\$ 5,970,350	\$ 5,242,021
Central Motor Co., Ltd.	2,754,483	2,649,211
Tau Miao Motor Co., Ltd.	1,811,818	1,673,305
Kau Du Automobile Co., Ltd.	1,464,963	1,408,476
Kuotu Motor Co., Ltd.	1,450,904	1,315,675
Taipei Toyota Motor Co., Ltd.	1,297,418	1,197,429
Nan Du Motor Co., Ltd.	1,208,004	1,130,250
Lang Yang Toyota Motor Co., Ltd.	307,402	301,184
Formosa Flexible Packaging Corp.	398,926	394,678
Shi-Ho Screw Industrial Co., Ltd.	126,581	126,413
Yokohama Tire Taiwan Co., Ltd., etc.	1,968,637	1,897,429
	<u>\$ 18,759,486</u>	<u>\$ 17,336,071</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 December 31, 2022 and 2021, the carrying amount of the Group's individually immaterial associates amounted to \$18,759,486 and \$17,336,071, respectively.

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Comprehensive income for the year	<u>\$ 2,367,831</u>	<u>\$ 2,075,438</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 \$2,243,159 and \$2,007,473 for the years ended December 31, 2022 and 2021, respectively, and were valued based on the investees' financial statements that were audited by independent auditors.

(11) Property, plant and equipment

	2022										
	<u>Utility equipment</u>				<u>Office equipment</u>		<u>Machinery and equipment</u>			<u>Construction in progress and prepayment for real estate</u>	<u>Total</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Owner-occupied</u>	<u>Lease</u>	<u>Owner-occupied</u>	<u>Lease (Note)</u>	<u>Owner-occupied</u>	<u>Lease (Note)</u>	<u>Leasehold improvements</u>		
<u>At January 1,</u>											
Cost	\$ 11,271,633	\$ 5,953,827	\$ 145,534	\$ 59,990	\$ 2,139,272	\$ 903,840	\$ 629,226	\$ 52,094,036	\$ 777,137	\$ 1,197,249	\$ 75,171,744
Accumulated depreciation and impairment	(26,850)	(2,398,014)	(137,803)	(59,806)	(1,316,912)	(466,636)	(373,677)	(16,182,619)	(590,192)	-	(21,552,509)
	<u>\$ 11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$ 35,911,417</u>	<u>\$ 186,945</u>	<u>\$ 1,197,249</u>	<u>\$ 53,619,235</u>
Opening net book amount as of January 1	\$ 11,244,783	\$ 3,555,813	\$ 7,731	\$ 184	\$ 822,360	\$ 437,204	\$ 255,549	\$ 35,911,417	\$ 186,945	\$ 1,197,249	\$ 53,619,235
Additions	1,556,059	187,969	1,023	-	733,288	110,450	57,520	20,745,093	53,142	1,140,858	24,585,402
Acquired by business combination	-	19,122	-	-	159,861	-	-	-	-	-	178,983
Disposals	-	(41)	-	-	(73,869)	(3,187)	(555)	(211,852)	(2,006)	-	(291,510)
Reclassifications	(230,961)	26,119	-	-	9,292	9,898	(72,221)	(5,639,731)	4,397	(210,055)	(6,103,262)
Reclassified as assets for sale	(114,195)	(11,397)	-	-	-	-	-	-	-	-	(125,592)
Depreciation	-	(284,269)	(1,528)	(44)	(285,859)	(196,606)	(43,555)	(10,478,375)	(49,195)	-	(11,339,431)
Impairment loss	-	-	-	-	-	4,236	-	-	-	-	4,236
Net exchange differences	-	27,174	52	-	5,945	908	2,803	(9,551)	116	2	27,449
Closing net book amount as of December 31	<u>\$ 12,455,686</u>	<u>\$ 3,520,490</u>	<u>\$ 7,278</u>	<u>\$ 140</u>	<u>\$ 1,371,018</u>	<u>\$ 362,903</u>	<u>\$ 199,541</u>	<u>\$ 40,317,001</u>	<u>\$ 193,399</u>	<u>\$ 2,128,054</u>	<u>\$ 60,555,510</u>
<u>At December 31,</u>											
Cost	\$ 12,482,536	\$ 6,096,113	\$ 137,843	\$ 59,990	\$ 2,895,848	\$ 764,199	\$ 573,027	\$ 58,670,085	\$ 779,793	\$ 2,128,054	\$ 84,587,488
Accumulated depreciation and impairment	(26,850)	(2,575,623)	(130,565)	(59,850)	(1,524,830)	(401,296)	(373,486)	(18,353,084)	(586,394)	-	(24,031,978)
	<u>\$ 12,455,686</u>	<u>\$ 3,520,490</u>	<u>\$ 7,278</u>	<u>\$ 140</u>	<u>\$ 1,371,018</u>	<u>\$ 362,903</u>	<u>\$ 199,541</u>	<u>\$ 40,317,001</u>	<u>\$ 193,399</u>	<u>\$ 2,128,054</u>	<u>\$ 60,555,510</u>

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

2021

	Utility equipment		Office equipment		Machinery and equipment		Leasehold improvements	Construction in progress and prepayment for real estate	Total		
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)				Owner-occupied	Lease (Note)
<u>At January 1,</u>											
Cost	\$ 10,702,956	\$ 5,443,538	\$ 143,189	\$ 59,990	\$ 1,981,655	\$ 936,359	\$ 603,464	\$ 46,444,953	\$ 740,015	\$ 707,569	\$ 67,763,688
Accumulated depreciation and impairment	(26,850)	(2,230,846)	(136,240)	(59,761)	(1,204,802)	(435,509)	(348,504)	(14,050,466)	(544,680)	-	(19,037,658)
	<u>\$ 10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$ 32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>	<u>\$ 48,726,030</u>
Opening net book amount as of January 1	\$ 10,676,106	\$ 3,212,692	\$ 6,949	\$ 229	\$ 776,853	\$ 500,850	\$ 254,960	\$ 32,394,487	\$ 195,335	\$ 707,569	\$ 48,726,030
Additions	568,677	518,519	1,221	-	381,548	158,775	49,273	18,428,956	56,290	812,156	20,975,415
Disposals	-	(1,287)	-	-	(96,594)	(1,824)	(1,805)	(332,134)	(1,891)	-	(435,535)
Reclassifications	-	(59,704)	1,156	-	6,902	(8,921)	826	(5,177,878)	(3,353)	(321,187)	(5,562,159)
Depreciation	-	(106,457)	(1,575)	(45)	(244,459)	(219,966)	(46,888)	(9,383,065)	(59,391)	-	(10,061,846)
Impairment loss	-	-	-	-	-	8,533	-	(19,054)	-	-	(10,521)
Net exchange differences	-	(7,950)	(20)	-	(1,890)	(243)	(817)	105	(45)	(1,289)	(12,149)
Closing net book amount as of December 31	<u>\$ 11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$ 35,911,417</u>	<u>\$ 186,945</u>	<u>\$ 1,197,249</u>	<u>\$ 53,619,235</u>
<u>At December 31,</u>											
Cost	\$ 11,271,633	\$ 5,953,827	\$ 145,534	\$ 59,990	\$ 2,139,272	\$ 903,840	\$ 629,226	\$ 52,094,036	\$ 777,137	\$ 1,197,249	\$ 75,171,744
Accumulated depreciation and impairment	(26,850)	(2,398,014)	(137,803)	(59,806)	(1,316,912)	(466,636)	(373,677)	(16,182,619)	(590,192)	-	(21,552,509)
	<u>\$ 11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$ 35,911,417</u>	<u>\$ 186,945</u>	<u>\$ 1,197,249</u>	<u>\$ 53,619,235</u>

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

(12) Leasing arrangements - lessee

- A. The Group leases various assets including land, buildings and structures and office equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and superficial have usage restrictions.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carry amount</u>	<u>Carry amount</u>
Land((including superficies)	\$ 1,967,934	\$ 1,799,940
Buildings and structures	1,651,330	1,633,380
Machinery and equipment	2,192	3,288
Office equipment	8,240	352
	<u>\$ 3,629,696</u>	<u>\$ 3,436,960</u>
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation Charge</u>	<u>Depreciation Charge</u>
Land	\$ 140,036	\$ 142,278
Buildings and structures	403,159	403,818
Machinery and equipment	1,096	1,096
Office equipment	2,619	1,566
	<u>\$ 546,910</u>	<u>\$ 548,758</u>

- C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets amounted to \$720,811 and \$913,549, respectively.
- D. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 45,925	\$ 45,673
Expense on short-term lease contracts and leases of low-value assets	102,938	47,416
Gain on lease modification	2,342	2,133

- E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for lease amounted to \$627,250 and \$720,557, respectively.

(13) Leasing arrangements - lessor

- A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. The Group leases machinery and equipment, business vehicles and so on under a finance lease. Based on the terms of the lease contract, the ownership of assets will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
Finance income from the net investment in the finance lease	\$ 2,816,052	\$ 2,414,023
C. The maturity analysis of the undiscounted lease payment receivable in the finance lease is as follows:		
	December 31, 2022	December 31, 2021
Less than 1 year	\$ 19,416,404	\$ 15,925,217
Between 1 and 2 years	7,697,693	5,993,010
Between 2 and 3 years	1,915,978	1,346,121
Between 3 to 4 years	344,384	127,207
Between 4 to 5 years	220,731	36,844
More than 6 years	9,329	790
	<u>\$ 29,604,519</u>	<u>\$ 23,429,189</u>
D. Reconciliation of the undiscounted lease payments receivable and the net investment in the finance lease is provided as follows:		
	December 31, 2022	December 31, 2021
Undiscounted lease payments	\$ 29,596,703	\$ 23,429,189
Unearned finance income	(2,853,897)	(2,349,549)
Net investment in the lease	<u>\$ 26,742,806</u>	<u>\$ 21,079,640</u>
E. For the years ended December 31, 2022 and 2021, the Group recognized rent income in the amount of \$17,332,880 and 15,130,969, 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:		
	December 31, 2022	December 31, 2021
Less than 1 year	\$ 12,445,073	\$ 11,207,708
Between 1 and 2 years	7,788,280	6,915,809
Between 2 and 3 years	3,701,177	3,172,160
Between 3 to 4 years	1,255,538	998,909
Between 4 to 5 years	478,076	336,628
More than 6 years	17,814	16,030
	<u>\$ 25,685,958</u>	<u>\$ 22,647,244</u>

(14) Investment property

	2022		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,740,187	\$ 1,115,203	\$ 2,855,390
Accumulated depreciation	-	(323,707)	(323,707)
	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
Opening net book amount as of January 1	\$ 1,740,187	\$ 791,496	\$ 2,531,683
Additions	-	299	299
Reclassifications	231,623	332,136	563,759
Reclassified as assets for sale	(146,550)	(27,011)	(173,561)
Depreciation	-	(20,506)	(20,506)
Net exchange differences	-	(750)	(750)
Closing net book amount as of December 31	<u>\$ 1,825,260</u>	<u>\$ 1,075,664</u>	<u>\$ 2,900,924</u>
Cost	\$ 1,825,260	\$ 1,408,890	\$ 3,234,150
Accumulated depreciation	-	(333,226)	(333,226)
	<u>\$ 1,825,260</u>	<u>\$ 1,075,664</u>	<u>\$ 2,900,924</u>
	2021		
	Land	Buildings and structures	Total
At January 1			
Cost	\$ 1,542,311	\$ 1,131,642	\$ 2,673,953
Accumulated depreciation	-	(311,391)	(311,391)
	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>
Opening net book amount as of January 1	\$ 1,542,311	\$ 820,251	\$ 2,362,562
Additions	197,876	29,928	227,804
Reclassifications	-	(40,624)	(40,624)
Depreciation	-	(18,059)	(18,059)
Closing net book amount as of December 31	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
Cost	\$ 1,740,187	\$ 1,115,203	\$ 2,855,390
Accumulated depreciation	-	(323,707)	(323,707)
	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>

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

	Years ended December 31,	
	2022	2021
Rental income from investment property	\$ 177,681	\$ 165,574
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 37,803	\$ 34,485

B. The fair value of the investment property held by the Group was \$3,332,268 and \$3,309,155 as of December 31, 2022 and 2021, respectively, based on the market value method, except for Hotai Insurance Co., Ltd., who appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. It also prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under “Regulations on Real Estate Appraisal” and take the result as the basis of the adjustments for financial statement disclosures. The valuations based on the aforementioned method were categorized within Level 3 in the fair value hierarchy as assessed and its main input was capitalization rate.

(15) Intangible assets

	2022			
	<u>Goodwill</u>	<u>Client relationship</u>	<u>Other intangible assets</u>	<u>Total</u>
<u>At January 1</u>				
Cost	\$ 662,323	\$ 527,106	\$ 428,664	\$ 1,618,093
Accumulated amortization and impairment	-	(87,119)	(233,235)	(320,354)
	<u>\$ 662,323</u>	<u>\$ 439,987</u>	<u>\$ 195,429</u>	<u>\$ 1,297,739</u>
Opening net book amount as of January 1	\$ 662,323	\$ 439,987	\$ 195,429	\$ 1,297,739
Additions-acquired separately	-	-	53,172	53,172
Amortization	-	(9,835)	(63,504)	(73,339)
Impairment loss	(662,323)	(430,152)	-	(1,092,475)
Net change differences	-	-	(441)	(441)
Closing net book amount as of December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,656</u>	<u>\$ 184,656</u>
<u>December 31,</u>				
Cost	\$ 662,323	\$ 527,106	\$ 475,624	\$ 1,665,053
Accumulated amortization and impairment	(662,323)	(527,106)	(290,968)	(1,480,397)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,656</u>	<u>\$ 184,656</u>

	2021			
	Goodwill	Client relationship	Other intangible assets	Total
<u>At January 1</u>				
Cost	\$ 662,323	\$ 527,106	\$ 262,241	\$1,451,670
Accumulated amortization and impairment	-	(69,550)	(170,875)	(240,425)
	<u>\$ 662,323</u>	<u>\$ 457,556</u>	<u>\$ 91,366</u>	<u>\$1,211,245</u>
Opening net book amount as of January 1	\$ 662,323	\$ 457,556	\$ 91,366	\$1,211,245
Additions-acquired separately	-	-	174,791	174,791
Amortization	-	(17,569)	(70,476)	(88,045)
Net change differences	-	-	(252)	(252)
Closing net book amount as of December 31	<u>\$ 662,323</u>	<u>\$ 439,987</u>	<u>\$ 195,429</u>	<u>\$1,297,739</u>
December 31,				
Cost	\$ 662,323	\$ 527,106	\$ 428,664	\$1,618,093
Accumulated amortization and impairment	-	(87,119)	(233,235)	(320,354)
	<u>\$ 662,323</u>	<u>\$ 439,987</u>	<u>\$ 195,429</u>	<u>\$1,297,739</u>

Details of amortization on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Administrative expenses	\$ 73,339	\$ 88,045

(16) Impairment of non-financial assets

A. The Group recognized impairment loss for the year ended December 31, 2022 amounting to \$1,092,475. Details of such loss are as follows:

	Year ended December 31, 2022	
	Recognized in profit or loss	Recognised in other comprehensive income
Impairment loss - goodwill	\$ 662,323	\$ -
Impairment loss - customer relationships (shown as intangible assets)	430,152	-
	<u>\$ 1,092,475</u>	<u>\$ -</u>

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

	Year ended December 31, 2022	
	Recognized in profit or loss	Recognised in other comprehensive income
Taiwan – other segments	\$ 1,092,475	\$ -

C. For the year ended December 31, 2022, as the Group's subsidiary, Hotai Insurance Co., Ltd., sold the severe and special infectious pneumonia related epidemic prevention insurance products whose claim settlement of the epidemic prevention policy has increased the catastrophe risk of the subsidiary, resulting in an impairment in the Group's goodwill and customer relationship.

Accordingly, the Group recognised an impairment loss of \$1,092,475.

- D. The recoverable amounts of goodwill and customer relationship were determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. For the year ended December 31, 2022, the key assumptions used for value-in-use calculations are: gross margin of 30.2%, perpetual growth rate of 2.0% and discount rate of 8.4%.

(17) Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 9,393,146	\$ 4,700,927
Reinsurance contract assets	1,201,796	729,332
Operation bonds	4,200,300	300,300
Guarantee deposits paid	571,701	516,843
Prepayments for business facilities	267,094	184,433
Others	1,749,485	1,621,077
	<u>\$ 17,383,522</u>	<u>\$ 8,052,912</u>

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

(18) Short-term loans

<u>Type of loans</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loans		
Unsecured loans	\$ 72,785,881	\$ 51,812,383
Mortgage loans	7,500,000	5,600,000
Mid-term syndicated loans for working capital	25,047,716	9,353,857
	<u>\$ 105,333,597</u>	<u>\$ 66,766,240</u>
Annual interest rate	<u>0.55%~5.59%</u>	<u>0.52%~4.75%</u>

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

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of short-term loans were 0.83%~4.60% and 0.52%~4.75%, respectively.
- B. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of \$14,000,000 with 13 financial institutions including Bank of Taiwan, in order to fulfil its working capital. The duration is 36 months (from the first time of being drawn), the loan can be drawn several times. The loan hasn't been drawn as of December 31, 2022.
- C. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of JPY 25 billion with 9 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 12 months (from December 6, 2022 to December 6, 2023). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amount at the maturity date.
- D. The subsidiary, HOTAI FINANCE CO., has entered into a mid-term syndicated contract for a credit line of \$15,000,000 with 18 financial institutions including CTBC Bank Ltd., in order to fulfil its working capital. The duration is 36 months (from June 29, 2022 to June 27, 2025). The loan can be drawn several times. Of the total loan, \$7,056,600 is non-revolving and the payment term is to repay the drawn amounts in installments within the contract period. The remaining

amount of \$7,943,400 is revolving and the payment term is to repay the full drawn amount at the maturity date.

- E. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 36 months (from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amounts at the maturity date.
- F. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- G. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 980 million with 12 financial institutions including Mizuho Bank, in order to fulfil its working capital. Within six months from the contract signing date (from July 26, 2022 to January 26, 2023), the loan can be drawn several times but is non-revolving. Each borrowing period is 36 months. The payment term is to repay the drawn amounts in installments within the contract period.
- H. Financial commitments of the Group made for the abovementioned syndicated loans and partial loans from other financial institutions require the Group to maintain specific current ratio, ratio of self-owned capital, interest coverage ratio, net value, debt/equity ratio and non-performing loans ratio during the contract periods.

(19) Short-term notes and bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper payable	\$ 114,773,400	\$ 104,950,000
Less: Unamortized discount	(133,187)	(88,658)
	<u>\$ 114,640,213</u>	<u>\$ 104,861,342</u>
Annual interest rate	<u>0.49%~1.99%</u>	<u>0.39%~1.04%</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bonds payable	\$ 22,200,000	\$ 12,200,000

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 second secured ordinary corporate bonds was issued in 2022. The total amount was \$7,000,000, the coupon rate was 1.50% with a 3-year period, the outstanding period was from June 6, 2022 to June 6, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date. °
- B. The first secured ordinary corporate bonds was issued in 2022. The total amount was \$3,000,000, the coupon rate was 0.57% with a 3-year period, the outstanding period was from January 13, 2022 to January 13, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. The second unsecured ordinary corporate bonds was issued in 2021. The total amount was \$3,000,000, the coupon rate was 0.56% with a 5-year period, the outstanding period was from July 22, 2021 to July 22, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.

- D. The first unsecured ordinary corporate bonds was issued in 2021. The total amount was \$2,200,000, the coupon rate was 0.55% with a 5-year period, the outstanding period was from April 15, 2021 to April 15, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- E. 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.
- F. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- G. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was \$2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

(21) Long-term loans

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2022	December 31, 2021
Long-term bank borrowings					
Credit borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.20%~1.31%	None	\$ 147,558	\$ 132,902
	From October 2022 to June 2024; interest is repayable quarterly	1.52%~1.81%	None	8,000,000	-
	From August 2022 to December 2025; interest is repayable quarterly	1.58%~2%	None	250,000	-
Mortgage	From December 2019 to December 2024; interest is repayable monthly	1.20%	Land (please refer to Note 8)	-	40,000
	From January 2019 to January 2022; interest is repayable monthly	1.18%	Notes receivable for lease payments (please refer to Note 8)	-	150,000
Secured borrowings	From August 2022 to August 2027; interest and principal is repayable monthly	2.67%	Property, plant and equipment	23,918	-
	From September 2022 to August 2029; interest and principal is repayable monthly	2.64%	Property, plant and equipment	30,564	-
	From October 2022 to October 2027; interest and principal is repayable monthly	1.96%	Property, plant and equipment	4,187	-
	From June 2022 to June 2029; interest and principal is repayable monthly	2.64%	Property, plant and equipment	36,160	-
	From September 2022 to June 2029; interest and principal is repayable monthly	2.64%	Property, plant and equipment	20,336	-
Commercial papers payable	From February 2021 to March 2025	0.65%~1.945%	Notes receivable for lease payments (please refer to Note 8)	5,992,131	-
	From April 2019 to November 2024	0.65%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	5,792,726
				14,504,854	6,115,628
Less: long-term liabilities, current portion				(2,105,569)	(1,379,045)
				<u>\$ 12,399,285</u>	<u>\$ 4,736,583</u>
Interest rate range				<u>0.65%~3%</u>	<u>0.65%~1.51%</u>

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

Duration of maturity	Loan amount
Up to 1 year	\$ 2,107,891
1 to 2 years	11,555,449
2 to 3 years	757,891
over 3 years	91,492
	\$ 14,512,723

(22) Accrued expenses

	December 31, 2022	December 31, 2021
Wages and salaries payable	\$ 2,633,453	\$ 2,761,874
Dealer bonus payable	420,688	271,415
Remuneration payable to employees	654,661	919,070
Remuneration payable to directors	-	385,761
Interest payable	352,565	142,741
Others	2,561,914	2,476,779
	\$ 6,623,281	\$ 6,957,640

(23) Pensions

Defined contribution pension plan

- A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- B. The Company’s mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland China subsidiaries have no further obligations.
- C. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021, were \$459,889 and \$347,353, respectively.

(24) Provisions

	2022	2021
At January 1	\$ 4,838,945	\$ 4,141,106
Additional provisions during the year	1,799,280	1,769,899
Used during the year	(1,113,633)	(935,000)
Unused amounts reversed	(596,043)	(137,060)
At December 31	\$ 4,928,549	\$ 4,838,945

Analysis of provision for warranty is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current (shown as other current liabilities)	\$ 1,040,723	\$ 1,073,047
Non-current	\$ 3,887,826	\$ 3,765,898

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

(25) Guarantee deposits received

	<u>2022</u>	<u>2021</u>
Deposits received for car rentals	\$ 16,849,384	\$ 15,386,885
Others	91,766	108,278
	<u>\$ 16,941,150</u>	<u>\$ 15,495,163</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current (shown as other current liabilities)	\$ 8,686,742	\$ 7,210,866
Non-current	\$ 8,254,408	\$ 8,284,297

(26) Share capital

As of December 31, 2022, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2022 and December 31, 2022 was both 546,179,184 shares.

(27) Capital surplus

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

(28) Retained earnings

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

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

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

- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. On June 21, 2022 and August 12, 2021, the stockholders resolved that total dividends for the distribution of earnings for the years of 2021 and 2020 were \$10,923,584 (\$20 per share) and \$9,285,046 (\$17 per share), respectively.
- E. On March 14, 2023, the Board of Directors resolved that total dividends for the distribution of earnings for the year 2022 was \$1,201,594 consisting of \$2 cash dividend and \$0.2 stock dividend per share.
- F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(33).

(29) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

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

Year ended December 31, 2022

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$130,393,189	\$ 1,783,311	\$ 7,286,621	\$ 75,430,085	\$ 214,893,206
Inter segments	(8,987,702)	(3,337)	(315,150)	(8,219,301)	(17,525,490)
Revenue from external customer contracts	<u>\$121,405,487</u>	<u>\$ 1,779,974</u>	<u>\$ 6,971,471</u>	<u>\$ 67,210,784</u>	<u>\$ 197,367,716</u>
Timing of revenue recognition					
At a point in time	\$121,405,487	\$ 1,500,554	\$ 6,807,068	\$ 65,217,656	\$ 194,930,765
Over time	-	279,420	164,403	1,993,128	2,436,951
	<u>\$121,405,487</u>	<u>\$ 1,779,974</u>	<u>\$ 6,971,471</u>	<u>\$ 67,210,784</u>	<u>\$ 197,367,716</u>

Year ended December 31, 2021

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
Segments	\$138,872,240	\$ 1,564,583	\$ 6,639,811	\$ 75,663,898	\$ 222,740,532
Inter segments	(7,644,115)	(154)	(779,852)	(9,063,721)	(17,487,842)
Revenue from external customer contracts	<u>\$131,228,125</u>	<u>\$ 1,564,429</u>	<u>\$ 5,859,959</u>	<u>\$ 66,600,177</u>	<u>\$ 205,252,690</u>
Timing of revenue recognition					
At a point in time	\$131,228,124	\$ 1,196,986	\$ 5,859,959	\$ 64,980,929	\$ 203,265,998
Over time	-	367,443	-	1,619,249	1,986,692
	<u>\$131,228,124</u>	<u>\$ 1,564,429</u>	<u>\$ 5,859,959</u>	<u>\$ 66,600,178</u>	<u>\$ 205,252,690</u>

B. Contract assets and liabilities

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Contract assets:		
Contract assets - construction contracts	<u>\$ 57,021</u>	<u>\$ 29,094</u>
Contract liabilities:		
Contract liabilities - sales of goods	<u>\$ 1,516,504</u>	<u>\$ 1,367,624</u>
Contract liabilities -customer loyalty programs	<u>1,643</u>	<u>3,627</u>
	<u>\$ 1,518,147</u>	<u>\$ 1,371,251</u>

For the years ended December 31, 2022 and 2021, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$1,161,549 and \$1,173,950 and, respectively.

(30) Interest income

	Years ended December 31,	
	2022	2021
Installment revenue	\$ 13,319,933	\$ 9,744,857
Finance leasing revenue	2,816,052	2,414,023
Interest from deposits and short-term notes	256,105	162,612
Other interest income	65,065	70,752
	<u>\$ 16,457,155</u>	<u>\$ 12,392,244</u>

(31) Premium

Details of premium are as follows:

	Years ended December 31,	
	2022	2021
Written premium	\$ 11,940,306	\$ 11,088,970
Reinsurance premium	434,689	427,685
Less: Reinsurance expense	(2,884,041)	(2,445,200)
Net change in unearned premiums reserve	(155,770)	(530,823)
	<u>\$ 9,335,184</u>	<u>\$ 8,540,632</u>

(32) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 11,058,009	\$ 10,243,976
Depreciation	11,906,847	10,628,663
Amortization	125,903	124,275
	<u>\$ 23,090,759</u>	<u>\$ 20,996,914</u>

(33) Employee benefit expense

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 9,299,183	\$ 8,740,813
Labor and health insurance fees	709,949	657,628
Pension costs	459,889	347,353
Other personnel expenses	588,988	498,182
	<u>\$ 11,058,009</u>	<u>\$ 10,243,976</u>

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

B. For the years ended December 31, 2022 and 2021, employees' remuneration were accrued at \$0 and \$192,880, respectively; while directors' remuneration were accrued at \$0 and \$385,761, respectively. The aforementioned amounts were recognized in salary expenses.

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

(34) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax expense recognized in the current year	\$ 2,800,975	\$ 4,819,804
Tax on undistributed surplus earnings	103,708	232,835
Prior year income tax (overestimation) underestimation	(34,913)	(51,991)
Total current tax	<u>2,869,770</u>	<u>5,000,648</u>
Deferred tax:		
Origination and reversal of temporary differences	(1,758,695)	411,921
Total deferred tax	(1,758,695)	411,921
Income tax expense	<u>\$ 1,111,075</u>	<u>\$ 5,412,569</u>

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

	Years ended December 31,	
	2022	2021
Cash flow hedges	\$ 57,232	(\$ 16,856)
Changes in fair value of financial assets at fair value through other comprehensive income	(\$ 12,636)	(\$ 7,178)
Changes in fair value of financial assets designated	(\$ 1,649)	(\$ 2,195)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2022	2021
Income tax expense at the statutory rate (Note)	(\$ 8,805,043)	\$ 7,295,964
Effects from adjustments based on regulation	12,047,323	(2,064,239)
Realized investment losses	(2,200,000)	-
Additional 5% surtax on undistributed earnings	103,708	232,835
Prior year income tax under (overestimation)	(34,913)	(51,991)
Income tax expense	<u>\$ 1,111,075</u>	<u>\$ 5,412,569</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2022			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$ 96,884	\$ 9,416	\$ -	\$ 106,300
Provision for warranty	732,968	11,584	-	744,552
Bad debt expense	661,549	139,843	-	801,392
Provision of allowance for loss on rental assets	101,425	4,164	-	105,589
Loss carryforward	71,072	1,964,196	-	2,035,268
Others	311,935	(1,322)	(4,098)	306,515
	<u>1,975,833</u>	<u>2,127,881</u>	<u>(4,098)</u>	<u>4,099,616</u>
-Deferred tax liabilities:				
Land value increment tax	(709,097)	-	-	(709,097)
Gain on investments accounted for using equity method	(1,762,197)	(221,199)	-	(1,983,396)
Difference between finance and tax due to depreciation	(1,319,723)	(142,749)	-	(1,462,472)
Others	(31,022)	(5,238)	(38,849)	(75,109)
	<u>(3,822,039)</u>	<u>(369,186)</u>	<u>(38,849)</u>	<u>(4,230,074)</u>
	<u>(\$ 1,846,206)</u>	<u>\$ 1,758,695</u>	<u>(\$ 42,947)</u>	<u>(\$ 130,458)</u>
	2021			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory obsolescence	\$ 100,337	(\$ 3,453)	\$ -	\$ 96,884
Provision for warranty	604,934	128,034	-	732,968
Bad debt expense	656,659	4,890	-	661,549
Provision of allowance for loss on rental assets	99,320	2,105	-	101,425
Loss carryforward	71,072	-	-	71,072
Others	273,406	26,791	11,738	311,935
	<u>1,805,728</u>	<u>158,367</u>	<u>11,738</u>	<u>1,975,833</u>
-Deferred tax liabilities:				
Land value increment tax	(709,097)	-	-	(709,097)
Gain on investments accounted for using equity method	(1,320,479)	(441,718)	-	(1,762,197)
Difference between finance and tax due to depreciation	(1,192,824)	(126,899)	-	(1,319,723)
Others	(39,452)	(1,671)	10,101	(31,022)
	<u>(3,261,852)</u>	<u>(570,288)</u>	<u>10,101</u>	<u>(3,822,039)</u>
	<u>(\$ 1,456,124)</u>	<u>(\$ 411,921)</u>	<u>\$ 21,839</u>	<u>(\$ 1,846,206)</u>

D. Expiration dates of unused loss carryforward amounts of unrecognized deferred tax assets of the Group's subsidiaries are as follows:

Decembder 31, 2022

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2016	\$ 359,487	\$ 227,182	\$ -	2026
2017	127,576	127,576	4,167	2027
2018	186,170	4,664	4,664	2028
2019	100,754	100,754	100,754	2029
2020	79,043	79,043	79,043	2030
2021	114,757	114,757	114,757	2031
2022	38,591,684	38,591,684	28,436,156	2032

Decembder 31, 2021

Year incurred	Amount filed/assessed	Unused amount	Unrecognized deferred tax assets	Usable until
2016	\$ 359,487	\$ 227,182	\$ -	2026
2017	127,576	127,576	4,167	2027
2018	186,170	90,814	90,814	2028
2019	100,754	100,754	100,754	2029
2020	79,043	79,043	79,043	2030
2021	114,757	114,757	114,757	2031

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

F. On December 22, 2022, the Company's subsidiary Hozan Investment Co.,Ltd. reduced its capital to write off accumulated losses. Thus, the Company recognized a tax benefit of \$2,200,000.

(35) (Loss) earnings per share

	Year ended December 31, 2022		
	Amount	Weighted average	Loss per
	after tax	number of ordinary	share
		shares outstanding	(in dollars)
		(shares in thousands)	
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the parent	<u>(\$19,330,194)</u>	<u>546,179</u>	<u>(\$ 35.39)</u>
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the parent	(\$19,330,194)	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	-	
Loss attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common	<u>(\$19,330,194)</u>	<u>546,179</u>	<u>(\$ 35.39)</u>

	Year ended December 31, 2021		
	Amount	Weighted average	Earnings
	after tax	number of ordinary	per share
		shares outstanding	(in dollars)
		(shares in thousands)	
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	<u>\$ 16,210,758</u>	<u>546,179</u>	<u>\$ 29.68</u>
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 16,210,758	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	381	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common	<u>\$ 16,210,758</u>	<u>546,560</u>	<u>\$ 29.66</u>

(36) Transactions with non-controlling interest

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

- (a) On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at the consideration of \$337,983 (net of transfer tax) and the Company's share ownership of Hotai Connected Co., Ltd. decreased to 70%. The difference between the consideration received and the carrying amount resulted in a decrease in the non-controlling interest by \$120,102 and an increase in the equity attributable to owners of the parent by \$119,102.
- (b) Subsidiary, Hotai Leasing Co., Ltd., of the Group disposed of 49.18% of shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. on January 28, 2021. This transaction resulted in an increase in the non-controlling interest by \$17,254 and a decrease in the equity attributable to owners of the parent by \$17,254.

B. Preference share issued by subsidiaries

On September 21, 2022, the Group's subsidiary, Hotai Finance Co., Ltd. increased capital by issuing Class A preference shares which the Group waived to subscribe, and the subscription was

made by the specific person contacted by the subsidiary. This transaction resulted in an increase in the non-controlling interest by \$5,000,000.

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

On October 11, 2022 and December 14, 2022, the Company participated in the capital increase of the Company's subsidiary, Hotai Insurance Co., Ltd. amounting to \$20,000,000 and \$6,000,000, respectively. As a result, the Group's shareholding ratio would be 99.99% after the capital increase. This transaction resulted in an increase in the non-controlling interest by \$32,113 and a decrease in the equity attributable to owners of the parent by \$32,113.

(37) Changes in liabilities from financing activities

	2022			
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 66,766,240	\$ 104,861,342	\$ 13,579,045	\$ 4,736,583
Changes in cash flow from financing activities	38,382,291	9,778,871	10,000,000	8,374,568
Impact of changes in foreign exchange rate	(44,737)	-	14,658	-
Changes in other non-cash items	229,803	-	711,866	(711,866)
December 31	<u>\$ 105,333,597</u>	<u>\$ 114,640,213</u>	<u>\$ 24,305,569</u>	<u>\$ 12,399,285</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 15,495,163	\$ 2,125,133	\$ 7,159	\$ 207,570,665
Changes in cash flow from financing activities	1,445,987	(478,387)	(10,923,584)	56,579,746
Impact of changes in foreign exchange rate	-	15,612	-	(14,467)
Changes in other non-cash items	-	718,469	10,923,570	11,871,842
December 31	<u>\$ 16,941,150</u>	<u>\$ 2,380,827</u>	<u>\$ 7,145</u>	<u>\$ 276,007,786</u>
	2021			
	Short-term loans	Short-term notes and bills payable	Long-term liabilities- current portion	Long-term loans
January 1	\$ 48,292,510	\$ 84,021,875	\$ 12,249,530	\$ 3,136,165
Changes in cash flow from financing activities	18,643,001	20,839,467	2,800,000	132,324
Impact of changes in foreign exchange rate	(35,349)	-	(2,391)	-
Changes in other non-cash items	(133,922)	-	(1,468,094)	1,468,094
December 31	<u>\$ 66,766,240</u>	<u>\$ 104,861,342</u>	<u>\$ 13,579,045</u>	<u>\$ 4,736,583</u>
	Guarantee deposits received	Lease liabilities	Dividend payable	Liabilities from financing activities-gross
January 1	\$ 13,646,358	\$ 1,767,701	\$ 7,212	\$ 163,121,351
Changes in cash flow from financing activities	1,667,452	(627,468)	(9,285,046)	34,169,730
Impact of changes in foreign exchange rate	-	(5,571)	-	(43,311)
Changes in other non-cash items	-	990,471	9,284,993	10,141,542
December 31	<u>\$ 15,313,810</u>	<u>\$ 2,125,133</u>	<u>\$ 7,159</u>	<u>\$ 207,389,312</u>

7. Related Party Transactions

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

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

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

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

(2) Significant related party transactions and balances

A. Revenue

	Years ended December 31,	
	2022	2021
(a) Sales revenue:		
-Associates		
Central Motor	\$ 26,399,143	\$ 27,635,662
Tau Miao	24,014,444	25,312,390
Taipei Motor	18,060,496	19,809,896
Kuotu	15,789,361	17,943,998
Others	39,741,974	41,520,909
-Entities controlled by key management	92,267	114,218
	<u>\$ 124,097,685</u>	<u>\$ 132,337,073</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.

	Years ended December 31,	
	2022	2021
(b) Rental revenue:		
-Associates	\$ 153,023	\$ 148,783
-Entities controlled by key management	10,747	9,725
	<u>\$ 163,770</u>	<u>\$ 158,508</u>

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

	Years ended December 31,	
	2022	2021
(c) Service revenue:		
Service sales:		
-Associates	\$ 71,109	\$ 39,336
-Entities controlled by key management	35,779	17,780
Contracted operating revenue:		
-Associates	24,494	23,932
	<u>\$ 131,382</u>	<u>\$ 81,048</u>

	Years ended December 31,	
	2022	2021
(d) Subsidy income for price difference from		
-Associates	\$ 251,633	\$ 209,510
	Years ended December 31,	
	2022	2021
(e) Warranty revenue		
(shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 126,366	\$ 131,735
-Entities controlled by key management		
TMAP	310,711	355,300
Others	640	958
	\$ 437,717	\$ 487,993
	Years ended December 31,	
	2022	2021
(f) Advertisement subsidy and sales promotion		
revenue (shown as deductions to		
advertisement expense):		
-Associates		
Kuotu	\$ 219,815	\$ 143,218
Others	133,711	126,800
-Entities controlled by key management	44,668	61,111
	\$ 398,194	\$ 331,129
	Years ended December 31,	
	2022	2021
(g) Miscellaneous income:		
-Associates		
Kuotu	\$ 132,138	\$ 130,543
Others	197,507	193,013
-Entities controlled by key management	88,590	95,287
	\$ 418,235	\$ 418,843

B. Expenditures

	Years ended December 31,	
	2022	2021
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 60,903,916	\$ 60,309,556
Others	2,704,897	2,471,203
-Entities controlled by key management		
TMC	37,759,395	42,368,272
Others	18,815,966	20,616,338
	<u>\$ 120,184,174</u>	<u>\$ 125,765,369</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 6 of Note 13(1) Significant transactions information.

	Years ended December 31,	
	2022	2021
(b) Warranty cost:		
-Associates		
Central Motor	\$ 118,787	\$ 124,542
Kuotu	126,425	137,951
Tau Miao	106,540	107,511
Kau Du	73,805	79,836
Nan Du	75,171	82,703
Taipei Motor	74,097	77,691
Others	14,810	21,175
-Entities controlled by key management	3,949	4,886
	<u>\$ 593,584</u>	<u>\$ 636,295</u>

	Years ended December 31,	
	2022	2021
(c) Freight:		
-Associates		
Fan Tai	\$ 182,115	\$ 193,506
Yi Tai	174,786	145,967
Others	2,921	2,870
-Entities controlled by key management	-	1
	<u>\$ 359,822</u>	<u>\$ 342,344</u>

	Years ended December 31,	
	2022	2021
(d) Commission expense:		
-Entities controlled by key management		
Ho An	\$ 1,084,841	\$ 1,057,844
	Years ended December 31,	
	2022	2021
(e) Others:		
-Associates		
Kuotu	\$ 6,400,391	\$ 7,535,289
Kau Du	4,683,949	5,570,457
Taipei Motor	3,535,440	4,247,682
Central Motor	628,921	5,186,111
Tau Miao	3,706,139	5,212,906
Nan Du	70,097	3,081,781
Others	1,026	274,398
	<u>\$ 19,025,963</u>	<u>\$ 31,108,624</u>

As described in Note 4(43), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

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

C. Receivables from (payables to) related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(a) Receivables from related parties:		
-Associates	\$ 3,024,554	\$ 2,022,437
-Entities controlled by key management	22,826	21,414
	<u>\$ 3,047,380</u>	<u>\$ 2,043,851</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(b) Other receivables from related parties:		
-Associates	\$ 182,418	\$ 160,044
-Entities controlled by key management	7,874	6,722
	<u>\$ 190,292</u>	<u>\$ 166,766</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(c) Accounts payable:		
-Associates		
Kuozui	\$ 1,260,947	\$ 757,970
Others	988,002	470,070
-Entities controlled by key management		
TMC	3,499,835	3,008,307
Others	550,312	557,089
	<u>\$ 6,299,096</u>	<u>\$ 4,793,436</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(d) Accrued expenses and other payables:		
-Associates	\$ 419,783	\$ 221,742
-Entities controlled by key management	5,405	1,336
	<u>\$ 425,188</u>	<u>\$ 223,078</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
(e) Commissions payable:		
-Entities controlled by key management		
Ho An	\$ 72,945	\$ 93,342
D. <u>Prepayments to suppliers</u>		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
-Entities controlled by key management	<u>\$ 43,708</u>	<u>\$ 296,912</u>
E. <u>Property transactions</u>		
Acquisition of rental assets and equipment		
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
-Associates		
Kuotu	\$ 3,717,016	\$ 2,990,413
Taipei Motor	1,703,860	1,436,256
Central Motor	1,450,904	1,289,855
Tau Miao	938,096	962,672
Others	1,350,630	1,381,044
-Entities controlled by key management	10,850	30,939
	<u>\$ 9,171,356</u>	<u>\$ 8,091,179</u>

F. Leasing arrangements - lessee

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities:		
- Entities controlled by key management		
Ho Yu	\$ 66,373	\$ 83,197
- Associates	<u>9,186</u>	<u>17,768</u>
	<u>\$ 75,559</u>	<u>\$ 100,965</u>

G. Loans to related parties:

Loans to related parties
Outstanding balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
-Associates		
Chongqing Taikang Heling	\$ 132,418	\$ 130,281
Tianjin Binhai Heling	-	43,427
Beijing Heling	-	86,854
Others	<u>-</u>	<u>21,714</u>
	<u>\$ 132,418</u>	<u>\$ 282,276</u>

(3) Key management remuneration

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	<u>\$ 85,383</u>	<u>\$ 522,136</u>

8. Pledged Assets

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

<u>Pledged asset</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>Purpose</u>
Notes and accounts receivable (Note 1)	\$ 9,419,216	\$ 5,349,850	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 2)	600,300	300,300	Operation bonds
Restricted assets (Note 3)			
-Demand and time deposits	4,908,721	510,548	Short-term borrowings, performance guarantee and issuance of L/C (Note 4)
-Property, plant and equipment	<u>724,936</u>	<u>543,133</u>	Long-term borrowings
	<u>\$ 15,653,173</u>	<u>\$ 6,703,831</u>	

Note1: As of December 31, 2022, guarantee notes receivables were pledged as collaterals for short-term borrowings and commercial paper payable to banks amounting to \$9,419,216.

Note 2: Shown as 'other assets'.

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

Note 4: As of December 31, 2022 and 2021, the certificates of deposit amounting to \$11,025 and \$9,913, respectively, were pledged to a financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

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

Type of contracts	Party involved	Contract period	Main contents
<u>A.The Company</u>			
Distributor agreement	Toyota Motor Corporation	January 1, 2022 to December 31, 2024	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Distributor agreement	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (Hino)	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 2022 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. and other dealers	May 15, 2021 to May 14, 2024	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.
<u>B.Chang Yuan Motor Co., Ltd.</u>			
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
<u>C.Toyota Material Handling Taiwan Ltd.</u>			
Distributor agreement	Toyota Industries Corporation	April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) For the appropriation of retained earnings of 2022, please refer to Note 6(28).
- (2) On January 9, 2023, the Company entered into a medium term syndicated loan contract for a credit line with 10 financial institutions including CTBC. The credit limit was \$30,000,000, of which \$15,000,000 could be drawn several times within six months from the first drawdown date but is non-revolving. The credit limit not used after six months from the first use date would be automatically canceled. The remaining \$15,000,000 could be used in a revolving manner within three years from the first use date.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders. Information on the capital management policy that the Group's subsidiary, Hotai Insurance Co., Ltd., made based on the Insurance Law of the Republic of China is provided in Note 12(13).

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,601,568	\$ 8,794,920
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	7,888,860	9,299,511
Qualifying equity instrument	739,255	1,615,489
Financial assets at amortized cost/Loans and receivables		
Cash and cash equivalents	15,629,561	25,813,580
Notes receivable	11,928,468	10,731,037
Accounts receivable	226,000,165	179,803,972
Long-term notes and accounts receivable	8,463,808	4,082,783
Other receivables	1,831,274	1,492,994
Guarantee deposits paid	4,772,001	817,143
Other financial assets	3,426,280	2,938,704
Derivative financial assets for hedging	504,827	-
	<u>\$ 286,786,067</u>	<u>\$ 245,390,133</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 162,608	\$ 27,780
Financial liabilities at amortized cost		
Short-term loans	105,333,597	66,766,240
Short-term notes and bills payable	114,640,213	104,861,342
Notes payable	870,114	783,316
Accounts payable	11,384,815	8,794,001
Accrued expenses	6,623,281	6,957,640
Other payables	1,665,754	1,407,173
Commission payable	493,435	545,799
Corporate bonds payable (including current portion)	22,200,000	12,200,000
Long-term borrowings (including current portion)	14,504,854	6,115,628
Guarantee deposits received	16,941,150	15,495,163
Other financial liabilities	39,598	53,707
Lease liabilities	2,380,827	2,125,133
Derivative financial liabilities for hedging	586,935	578,276
	<u>\$ 297,827,181</u>	<u>\$ 226,711,198</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and

hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(c) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

	December 31, 2022			December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Book value	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	USD 57,655	30.7100	\$1,770,585	USD 86,187	27.6800	\$2,385,656
JPY:NTD	JPY 517,516	0.2324	120,271	JPY 695,429	0.2405	167,251
RMB:NTD	CNY 8,465	4.4138	37,363	CNY 9,711	4.3427	42,172
USD:RMB (Note)	USD -	-	-	USD 76	6.3739	2,104
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	USD 213,142	30.7100	\$6,545,591	USD 246,681	27.6800	\$6,828,130
JPY:NTD	JPY 170,164	0.2324	39,546	JPY 176,564	0.2405	42,464
RMB:NTD	CNY 13,039	4.4138	57,552	CNY 15,181	4.3427	65,927
USD:RMB (Note)	USD -	-	-	USD 4,800	6.3739	132,864

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 gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$439,526 and \$586,123, 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:

	Year ended December 31, 2022			Year ended December 31, 2021		
	Sensitivity analysis			Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 17,706	\$ -	1%	\$ 23,857	\$ -
JPY:NTD	1%	1,203	-	1%	1,673	-
RMB:NTD	1%	374	-	1%	422	-
USD:RMB (Note)	1%	-	-	1%	21	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 65,456	\$ -	1%	\$ 68,281	\$ -
JPY:NTD	1%	395	-	1%	425	-
RMB:NTD	1%	576	-	1%	659	-
USD:RMB (Note)	1%	-	-	1%	1,329	-

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 years ended December 31, 2022 and 2021 would have increased/decreased by \$475,073 and \$10,506, 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 December 31, 2022 and 2021, HFC has financial instruments with off-balance-sheet credit risk amounting to \$3,779,139 and \$5,211,354, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$71,213 and \$90,436, 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:
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.
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 \$55,851.
 - vii. Hotai Finance Co., Ltd. and its subsidiaries used forecastability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

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

December 31, 2021	Not past due	Later than	Later than	Later than	Later than	Over	Total
		31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 days	
Total book value	\$ 208,270,199	\$ 471,249	\$ 253,201	\$ 187,611	\$ 127,510	\$ 410,656	\$ 209,720,426
Loss allowance	\$ 2,646,064	\$ 211,861	\$ 186,550	\$ 158,100	\$ 116,987	\$ 402,644	\$ 3,722,206

viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of December 31, 2022 and 2021 is provided in Note 12(6)A.

ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	2022		2021	
	Receivables		Receivables	
At January 1	\$	3,782,588	\$	3,414,181
Provision for impairment		2,679,470		1,731,188
Write-offs	(1,708,803)	(1,353,819)
Others		26,789	(8,962)
At December 31	\$	4,780,044	\$	3,782,588

Note : Including all the Group's consolidated entities.

For the years ended December 31, 2022 and 2021, gain on recoverable bad debts amounted to \$821,467 and \$592,839, 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 December 31, 2022 and 2021, the Group's unused credit line amounted to \$140,840,395 and \$86,372,762, 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:

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

Non-derivative financial liabilities:

December 31, 2021	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 56,460,349	\$ 3,235,302	\$ 7,582,358
Short-term notes and bills payable	85,334,241	16,844,594	3,000,976
Notes payable	783,316	-	-
Accounts payable	8,794,001	-	-
Accrued expenses	6,957,640	-	-
Other payables	1,407,173	-	-
Commission payable	545,799	-	-
Lease liabilities	469,489	394,007	1,520,751
Bonds payable	77,900	77,900	12,334,873
Long-term loans (including current portion)	1,512,902	2,310,000	2,300,000

Derivative financial liabilities:

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

Derivative financial liabilities:

December 31, 2021	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ -	\$ 578,276
Forward exchange contracts	27,780	-	-

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

(3) Fair value information

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and

volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed shares and beneficial certificates is included in Level 1.

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

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

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

C. Financial instruments not measured at fair value

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

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

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

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

Note: Including operation bonds.

December 31, 2021	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,636,248	\$ -	\$ 437,495	\$ 3,073,743
Forward exchange contracts	-	10,987	-	10,987
Foreign exchange swap contracts	-	1,600	-	1,600
Bond investment	-	1,035,718	-	1,035,718
Equity securities	2,056,154	-	-	2,056,154
Exchange traded funds	1,933,425	-	-	1,933,425
Financial instruments	-	683,293	-	683,293
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,915,788	-	1,915,788
Equity securities	8,932,741	-	366,770	9,299,511
	<u>\$15,558,568</u>	<u>\$ 3,647,386</u>	<u>\$ 804,265</u>	<u>\$20,010,219</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	27,722	\$ -	27,722
Foreign exchange swap contracts	-	58	-	58
Derivative financial liabilities for hedging	-	578,276	-	578,276
	<u>\$ -</u>	<u>\$ 606,056</u>	<u>\$ -</u>	<u>\$ 606,056</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 years ended December 31, 2022 and 2021:

	2022	
	Beneficiary certificates	Equity securities
At January 1	\$ 437,495	\$ 366,770
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	25,105
Recorded as gains on financial assets at fair value through profit or loss	(8,243)	-
Acquired during the year	(251,514)	-
At December 31	<u>\$ 177,738</u>	<u>\$ 391,875</u>
	2021	
	Beneficiary certificates	Equity securities
At January 1	\$ 383,543	\$ 346,148
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	20,622
Recorded as gains on financial assets at fair value through profit or loss	10,973	-
Acquired during the year	42,979	-
At December 31	<u>\$ 437,495</u>	<u>\$ 366,770</u>

- F. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1, Level 2, and Level 3.
- G. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2022	Valuation technique	Significant observable in	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 391,875	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value
Infrastructure fund and real estate private placement fund	177,738	Net assets value	Not applicable	Not applicable	Not applicable

	Fair value at December 31, 2021	Valuation technique	Significant observable in	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 366,770	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value
Infrastructure fund and real estate private placement fund	437,495	Net assets value	Not applicable	Not applicable	Not applicable

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 December 31, 2022 and 2021.

(4) Other matters

The Group's operation was not affected by the Covid-19 outbreak and various preventive measures which were imposed by the government.

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

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

(a) Risk Governance Structure and Responsibilities

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

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

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

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

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

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance,

finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

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

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

(b) Risk Reporting and Measurement System

i. Risk Reporting

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

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

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

(c) Insurance Risk and Underwriting Guidelines

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

(d) Total Risk Profiling and Insurance Risk Management

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

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the "Regulations Governing Insurance Enterprises

Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms”. The net retention limit per risk for each line of business is listed below:

Line of Business	December 31, 2022	December 31, 2021
Fire insurance	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000
Long-term residential fire insurance	50,000	50,000
Residential fire insurance	50,000	50,000
Marine cargo insurance	20,000	20,000
Inland marine insurance	20,000	20,000
Automobile insurance	Nil	Nil
General liability insurance	\$ 50,000	\$ 50,000
Engineering insurance	50,000	50,000
Fidelity insurance	60,000	60,000
Other property insurance	50,000	50,000
Personal accident insurance	50,000	50,000

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

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary’s asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions. In response to the indemnity for severe and special infectious pneumonia related to epidemic prevention insurance products, in addition to establishing the related financial liquidity contingency plans, the subsidiary, Hotai Insurance Co., Ltd., also requested the Board of Directors to authorize the Chairman of the company to handle the bank financing.

(g) Capital Adequacy Management

In accordance with the “Regulations Governing Capital Adequacy of Insurance Companies”, the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary’s RBC ratio is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products, and they will optimize the situation in accordance with the 2022 epidemic prevention insurance financial improvement plan. Please refer to Note 12(13) for further details.

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

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

A. Credit risk

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

through other comprehensive income.

- (b) Except for using historical loss rate as a basis and forecastable macroeconomic information to estimate expected credit loss in line with IAS, the subsidiary, Hotai Insurance Co., Ltd. also provisioned allowance for loss in line with “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts” and related procedures.
- (c) The subsidiary, Hotai Insurance Co., Ltd., adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk since initial recognition:
- i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - ii. For bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.
- (d) The subsidiary, Hotai Insurance Co., Ltd., adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:
- i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.
 - ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.
 - iii. If the Company actively clears these financial assets in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”, and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Company will continue executing the recourse procedures to secure their rights.
- (e) The subsidiary, Hotai Insurance Co., Ltd., refers to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the years ended December 31, 2022 and 2021, the movements of allowance for loss are as follows :

	2022				
	12 months	Significant increase in credit risk	Impairment of credit	Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”	Total
At January 1	\$ -	\$ -	\$ 160	\$ 26,115	\$ 26,275
Provisions during the period	-	-	-	(1,730)	(1,730)
At December 31	\$ -	\$ -	\$ 160	\$ 24,385	\$ 24,545

	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	\$ 12,712	\$ 12,872
Provisions during the period	-	-	-	13,403	13,403
At December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ 26,115</u>	<u>\$ 26,275</u>

As of December 31, 2022 and 2021, the allowance for loss of abovementioned financial assets was \$24,545 and \$26,275, respectively, and the maximum exposure to credit risk was \$945,389 and \$993,253, respectively.

- (f) As of December 31, 2022 and 2021, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income (including operating bonds), interest receivables from bonds, non-short term time deposits (excluding valuation adjustment) and interest receivables from time deposits amounting to \$2,353,879 and \$3,639,966, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
tw AAA	\$ 797,023	\$ 877,651
tw AA+	176,899	433,262
tw AA	134,294	495,366
tw AA-	132,511	922,900
tw A+	222,298	336,112
tw A	889,064	470,990
tw A-	1,790	103,685
	<u>\$ 2,353,879</u>	<u>\$ 3,639,966</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.06% and 0%~0.07%, respectively, the amounts of allowance for loss were \$797 and \$592 respectively, and the maximum exposure amounts were \$2,353,082 and \$3,639,374, 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 years ended December 31, 2022 and 2021, the movements of allowance for loss are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 592	\$ 581
Provisions (amounts reversed) during the year	205	11
At December 31	<u>\$ 797</u>	<u>\$ 592</u>

- (g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the years ended December 31, 2022 and 2021,

the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Year ended December 31, 2022

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 334	0.01
AA	412,976	16.08
AA-	87,300	3.40
A+	1,103,233	42.95
A	119,005	4.63
A-	7,840	0.31
BBB+	53,236	2.07
Unrated	784,777	30.55
Total	\$ 2,568,701	100.00

Year ended December 31, 2021

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 2,449	0.12
AA	442,803	20.52
AA-	64,765	3.00
A++	358	0.02
A+	940,386	43.58
A	126,092	5.84
A-	9,705	0.45
BBB+	32,655	1.51
Unrated	538,525	24.96
Total	\$ 2,157,738	100.00

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

B. Liquidity risk management

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

(a) Cash flow control and hedging strategy

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

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

to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

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

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

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

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

i. Non-derivative financial liabilities

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

	Contractual undiscounted cash flows			
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
<u>December 31, 2021</u>				
Insurance liabilities	\$ 8,902,416	\$ 2,350,482	\$ 183,219	\$ 1,922,258
Payables	1,445,680	-	-	-
Deposits-in	2,125	2,186	-	-
Lease liabilities	54,789	65,277	-	-

ii. Derivatives

On December 31, 2022, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

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

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

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of "assets allocation strategy". In compliance with the subsidiary's "Risk Management Policy", the subsidiary's "Investment Policy Statement", and regulations of the competent authority, the subsidiary imposes investment limit on individual investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest

rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.'s current risk management mechanism in terms of individual risk factor:

(a) Price risk

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

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

	December 31, 2022			
	Change of variables		Change in other comprehensive income	
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$	225,595
	Decrease in price	10%	(225,595)
	December 31, 2021			
	Change of variables		Change in other comprehensive income	
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$	529,065
	Decrease in price	10%	(529,065)

(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:

	December 31, 2022			
	Change of variables		Change in fair value	
Fixed-income investments	Increase in interest rate	100 basis point	(\$	64,830)
	Decrease in interest rate	100 basis point		64,830
	December 31, 2021			
	Change of variables		Change in fair value	
Fixed-income investments	Increase in interest rate	100 basis point	(\$	89,211)
	Decrease in interest rate	100 basis point		89,211

(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>December 31, 2022</u>	<u>December 31, 2021</u>
Foreign exchange rate	30.73	27.66

The US dollar assets and liabilities are shown as below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD Assets	USD 29,879 thousand	USD 48,984 thousand
USD Liabilities	USD 635 thousand	USD 890 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>December 31, 2022</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD (\$	14,181)
	Depreciate 5% against NTD	14,181
	<u>December 31, 2021</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD (\$	31,032)
	Depreciate 5% against NTD	31,032

(7) Insurance risk information

A. Insurance risk concentration

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

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

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the years ended December 31, 2022 and 2021, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

<u>Line of Business</u>	<u>Year ended December 31, 2022</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,717,647	\$ 621,417
Engineering insurance	191,816	46,377

Line of Business	Year ended December 31, 2021	
	Premiums revenue	Retention premiums
Fire insurance	\$ 1,521,650	\$ 614,537
Engineering insurance	145,627	46,524

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 years ended December 31, 2022 and 2021 and the result is shown below:

Line of Business	Year ended December 31, 2022			
	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	\$ 216,750	\$ 186,787	\$ 216,750	\$ 186,787
Automobile third party liability insurance	116,891	103,255	116,891	103,255
Personal property insurance	3,508	3,135	3,508	3,135
Commercial property insurance	74,369	26,270	74,369	26,270
Liability insurance	65,087	50,429	65,087	50,429
Marine cargo insurance	13,575	9,848	13,575	9,848
Engineering insurance	10,618	2,788	10,618	2,788
Personal accident insurance	52,684	51,076	52,684	51,076
Health insurance	25,661	25,304	25,661	25,304
Foreign inward reinsurance	834	477	834	477

Year ended December 31, 2021

Line of Business	Expected loss ratio increased by 5%		Expected loss ratio decreased by 5%	
	Increase in claim reserve before reinsurance	Increase in claim reserve after reinsurance	Decrease in claim reserve before reinsurance	Decrease in claim reserve after reinsurance
Automobile property damage insurance	\$ 206,101	\$ 177,968	\$ 206,101	\$ 177,968
Automobile third party liability insurance	100,528	89,485	100,528	89,485
Personal property insurance	4,226	3,341	4,226	3,341
Commercial property insurance	64,117	24,974	64,117	24,974
Liability insurance	50,898	39,760	50,898	39,760
Marine cargo insurance	11,449	8,656	11,449	8,656
Engineering insurance	7,309	2,123	7,309	2,123
Personal accident insurance	53,404	51,726	53,404	51,726
Health insurance	10,381	9,533	10,381	9,533
Foreign inward reinsurance	342	307	342	307

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 years ended December 31, 2022 and 2021.

C. Loss development pattern

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

(a) Direct business

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

December 31, 2021	Accident Year					
	≤2017	2018	2019	2020	2021	Total
Development Year						
End of underwriting year	\$ 25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,769,156	-	
Two years after underwriting year	24,968,656	2,510,423	3,690,307	-	-	
Three years after underwriting year	24,736,988	2,427,157	-	-	-	
Four years after underwriting year	24,684,232	-	-	-	-	
Estimated ultimate losses	24,684,232	2,427,157	3,690,307	4,769,156	5,811,398	
Paid losses	(24,115,950)	(2,207,836)	(3,155,441)	(3,937,503)	(3,109,276)	
Total reserve	\$ 568,282	\$ 219,321	\$ 534,866	\$ 831,653	\$ 2,702,122	\$ 4,856,244
Adjustment item (Note)						453,326
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						\$ 5,309,570

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

December 31, 2022	Accident Year					Total
	≤2018	2019	2020	2021	2022	
Development Year						
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 39,536,977	
One year after underwriting year	18,702,131	3,224,195	4,130,722	4,551,010	-	
Two years after underwriting year	18,465,817	3,193,907	3,991,743	-	-	
Three years after underwriting year	18,413,564	3,067,559	-	-	-	
Four years after underwriting year	18,367,442	-	-	-	-	
Estimated ultimate losses	18,367,442	3,067,559	3,991,743	4,551,010	39,536,977	
Paid losses	(17,915,061)	(2,861,564)	(3,519,725)	(3,831,320)	(32,897,564)	
Total reserve	\$ 452,381	\$ 205,995	\$ 472,018	\$ 719,690	\$ 6,639,413	\$ 8,489,497
Adjustment item (Note)						399,775
						\$ 8,889,272

December 31, 2021	Accident Year					Total
	≤2017	2018	2019	2020	2021	
Development Year						
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	
One year after underwriting year	16,596,248	2,293,058	3,224,195	4,130,722	-	
Two years after underwriting year	16,409,073	2,237,166	3,193,907	-	-	
Three years after underwriting year	16,228,651	2,167,503	-	-	-	
Four years after underwriting year	16,246,061	-	-	-	-	
Estimated ultimate losses	16,246,061	2,167,503	3,193,907	4,130,722	4,559,471	
Paid losses	(15,882,867)	(2,006,557)	(2,820,197)	(3,517,360)	(2,722,061)	
Total reserve	\$ 363,194	\$ 160,946	\$ 373,710	\$ 613,362	\$ 1,837,410	\$ 3,348,622
Adjustment item (Note)						299,102
						\$ 3,647,724

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

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

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

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

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,601,617	\$ 4,601,617	\$ -
Receivables	918,846	918,846	-
Financial assets at fair value through profit or loss	5,827,968	5,292,250	535,718
Financial assets at fair value through other comprehensive income	1,615,489	322,124	1,293,365
Other financial assets	1,679,537	1,569,219	110,318
Right-of-use assets	118,045	-	118,045
Investment property	575,527	-	575,527
Reinsurance contract assets	3,125,902	2,396,571	729,331
Property and equipment	3,173,583	-	3,173,583
Intangible assets	135,332	-	135,332
Other assets	650,943	220,898	430,045
<u>Liabilities</u>			
Payables	\$ 1,445,680	\$ 1,445,680	\$ -
Current income tax liabilities	95,167	95,167	-
Financial liabilities at fair value through profit or loss	58	58	-
Insurance liabilities	13,358,375	8,902,416	4,455,959
Lease liabilities	118,752	54,789	63,963
Other liabilities	97,410	95,224	2,186

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

- A. Beginning on December 12, 2018, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Uni-President Assets Management Corp. to commission Uni-President Assets Management Corp. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000. The Company adjusted the commissioned investment amounts in Uni-President Assets Management Corp. to \$860,000 in July 2020, to \$920,000 in December 2020, to \$1,050,000 in March 2021, to \$1,200,000 in June 2021 and to \$900,000 in May 2022. As of July 27, 2022, the company terminated the discretionary investment management contract with Uni-President Assets Management Corp.
- B. Beginning on March 24, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Cathay Securities Investment Trust to commission Cathay Securities Investment Trust to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$800,000. The company adjusted the commissioned investment amounts in Cathay Securities Investment Trust to \$400,000 in September 2022.
- C. Beginning on April 6, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with JIH SUN SECURITIES CO.,LTD. to commission JIH SUN SECURITIES CO.,LTD. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000. The company adjusted the commissioned investment amounts in JIH SUN SECURITIES CO., LTD. To \$900,000 in May 2022.

- D. In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited (“JPMorgan”), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations. In July 2022, the company terminated the commissioning of the domestic investments in various bonds.

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

<u>Category of insurance</u>	Year ended December 31, 2022					
	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	\$ 508,383	\$ 179,757	\$ 206,450	\$ 481,690	\$ 16,780	\$ 464,910
Elective insurance	11,785,531	254,933	2,677,590	9,362,874	138,991	9,223,883
	12,293,914	434,690	2,884,040	9,844,564	155,771	9,688,793
Discount	(7)	-	-	(7)	-	(7)
	<u>\$ 12,293,907</u>	<u>\$ 434,690</u>	<u>\$ 2,884,040</u>	<u>\$ 9,844,557</u>	<u>\$ 155,771</u>	<u>\$ 9,688,786</u>
<u>Category of insurance</u>	Year ended December 31, 2021					
	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	\$ 437,267	\$ 168,098	\$ 174,016	\$ 431,349	\$ 12,521	\$ 418,828
Elective insurance	10,722,382	259,588	2,271,184	8,710,786	518,303	8,192,483
	11,159,649	427,686	2,445,200	9,142,135	530,824	8,611,311
Discount	6	-	-	6	-	6
	<u>\$ 11,159,655</u>	<u>\$ 427,686</u>	<u>\$ 2,445,200</u>	<u>\$ 9,142,141</u>	<u>\$ 530,824</u>	<u>\$ 8,611,317</u>

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

Year ended December 31, 2022				
<u>Category of insurance</u>	Claim expenditures	Reinsurance claim expenditures	Reinsurance Reinsurance claims	Retention claim expenditures
(1)	(2)	(3)	(4)=(1)+(2)-(3)	
Compulsory insurance	\$ 246,475	\$ 154,571	\$ 147,506	\$ 253,540
Elective insurance	34,820,495	53,003	798,916	34,074,582
	<u>\$ 35,066,970</u>	<u>\$ 207,574</u>	<u>\$ 946,422</u>	<u>\$ 34,328,122</u>

Year ended December 31, 2021				
<u>Category of insurance</u>	Claim expenditures	Reinsurance claim expenditures	Reinsurance Reinsurance claims	Retention claim expenditures
(1)	(2)	(3)	(4)=(1)+(2)-(3)	
Compulsory insurance	\$ 278,632	\$ 130,811	\$ 164,930	\$ 244,513
Elective insurance	4,109,024	16,717	434,479	3,691,262
	<u>\$ 4,387,656</u>	<u>\$ 147,528</u>	<u>\$ 599,409</u>	<u>\$ 3,935,775</u>

(12) Financial information of compulsory automobile insurance:

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Assets		
Cash and cash equivalents	\$ 1,765,189	\$ 1,669,184
Notes receivable	6,902	5,815
Premiums receivable	10,572	7,135
Claims recoverable from reinsurers	19,076	19,416
Due from reinsurance and ceding companies	14,901	15,742
Ceded unearned premium reserve	106,984	90,900
Ceded claim reserve	140,743	141,825
Temporary payments and suspense accounts	-	63
Total assets	<u>\$ 2,064,367</u>	<u>\$ 1,950,080</u>
Liabilities		
Claims payable	\$ 800	\$ 10,490
Due to reinsurance and ceding companies	32,715	17,025
Unearned premium reserve	277,606	244,742
Claims reserve	360,388	359,828
Special reserve	1,390,444	1,317,951
Temporary payments and suspense accounts	2,414	44
Total liabilities	<u>\$ 2,064,367</u>	<u>\$ 1,950,080</u>

As of December 31, 2022 and 2021, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,666,707 and \$1,553,013, respectively, shown as other financial assets in the balance sheets.

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

	Year ended Decemer 31,	
	2022	2021
Operating revenues		
Written premiums	\$ 344,079	\$ 290,022
Reinsurance premiums	179,757	168,098
Less: Reinsurance premiums ceded	(206,450)	(174,016)
Net change in unearned premium reserve	(16,780)	(12,521)
Retention earned premiums	300,606	271,583
Interest income	14,221	9,880
	<u>\$ 314,827</u>	<u>\$ 281,463</u>
Operating costs		
Claim expenditures	\$ 246,475	\$ 278,632
Reinsurance claim expenditures	154,571	130,811
Less: Reinsurance claims recovery	(147,506)	(164,930)
Retention claim expenditures	253,540	244,513
Net change in claims reserve	1,642	36,825
Net change in special reserve	72,493	9,297
	<u>\$ 327,675</u>	<u>\$ 290,635</u>

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

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

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

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies". Currently, the RBC ratio is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products. To comply with the regulations of the "Regulations Governing Capital Adequacy of Insurance Enterprises", the

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

Under Article 15 of “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance”, the net worth ratios of the subsidiary, Hotai Insurance Co., Ltd., as of December 31, 2022 and 2021 were (19.14%) and 32.28%, respectively.

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

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

<u>December 31, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,058,573	\$ 1,058,573	\$ -
Accounts and notes receivable, net	180,626,267	67,839,669	112,786,598
Other receivables	69,294	69,294	-
Inventories	2,976	2,976	-
Prepayments	6,629,871	4,348,752	2,281,119
Other current financial assets	439,157	409,157	30,000
<u>Liabilities</u>			
Short-term borrowings	57,098,277	46,454,154	10,644,123
Short-term notes and bills payable	96,914,188	77,130,606	19,783,582
Current financial liabilities for hedging	578,276	-	578,276
Notes payable	685,111	685,111	-
Accounts payable (including related parties)	313,806	313,806	-
Other payables	2,960,046	2,960,046	-
Current income tax liabilities	512,634	512,634	-
Lease liabilities-current	136,059	136,059	-
Bonds payable	12,200,000	-	12,200,000
Financial guarantee liabilities-current	53,707	53,707	-
Guarantee deposits received-current	3,707,171	1,549,677	2,157,494
Other current liabilities, others	61,293	61,293	-

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

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

13. Supplementary Disclosures

Related information of significant transactions are as follows:

(1) Significant transactions information

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

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

<u>Company Name</u>	<u>Derivative Instruments</u>	<u>Contract Amount (in thousands)</u>	<u>Maturity Date</u>	<u>Book Value</u>	<u>Fair Value</u>
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 423,402	2023/1/13~ 2023/6/8	(\$ 107,073)	(\$107,073)
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 21,490	2023/1/10~ 2023/3/29	4,052	4,052
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 58,800,000	2023/8/7~ 2024/9/9	(404,589)	(404,589)
Hotai Finance Co., Ltd.	Cross currency swaps	EUR 75,000	2024/9/12	159,690	159,690
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 64,250	2024/8/30~ 2025/1/13	158,367	158,367
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Cross currency swaps	USD 4,800	2024/10/18	4,559	4,559
Ho Tai Development Co., Ltd.	Forward exchange contracts	GBP 943	2023/5/5~ 2023/5/26	(135)	(135)

- 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 9.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 10.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies

in the Mainland Area:

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

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

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 December 31, 2022, the Company's self-owned capital ratio was 50%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Property insurance segments: engaging in various property insurance.
- E. Overseas sales agent segment: Sales agent in the mainland Chinese market.
- F. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

- A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.
- B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

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

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

Items	Year ended December 31, 2022			
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 124,791,594	\$ 15,273,082	\$ 27,591,033	\$ 10,480,917
Inter-segment revenue (Note)	(23,248,840)	676,496	1,230,712	353,602
Total segment revenue	<u>\$ 101,542,754</u>	<u>\$ 15,949,578</u>	<u>\$ 28,821,745</u>	<u>\$ 10,834,519</u>
Segment income (loss) (Note)	<u>(\$ 19,200,146)</u>	<u>\$ 4,540,553</u>	<u>\$ 2,685,518</u>	<u>(\$ 38,893,373)</u>
Depreciation and amortization	<u>\$ 105,932</u>	<u>\$ 197,635</u>	<u>\$ 10,762,952</u>	<u>\$ 168,668</u>
Income expense	<u>\$ 130,048</u>	<u>\$ 978,113</u>	<u>\$ 633,038</u>	<u>(\$ 1,986,233)</u>
Gain on investments accounted for using equity method	<u>(\$ 30,423,061)</u>	<u>\$ 388,907</u>	<u>\$ 491,273</u>	<u>\$ -</u>
Segment assets	<u>\$ 83,693,191</u>	<u>\$ 224,091,648</u>	<u>\$ 79,091,964</u>	<u>\$ 23,034,337</u>
Segment liabilities	<u>\$ 41,928,204</u>	<u>\$ 193,683,095</u>	<u>\$ 67,033,519</u>	<u>\$ 27,443,047</u>

Items	Year ended December 31, 2022			
	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 22,298,775	\$ 46,046,438	\$ -	\$ 246,481,839
Inter-segment revenue (Note)	3,572,900	(13,802,715)	31,217,845	-
Total segment revenue	<u>\$ 25,871,675</u>	<u>\$ 32,243,723</u>	<u>\$ 31,217,845</u>	<u>\$ 246,481,839</u>
Segment income (loss) (Note)	<u>\$ 2,919,083</u>	<u>(\$ 15,873,716)</u>	<u>\$ 49,187,198</u>	<u>(\$ 14,634,883)</u>
Depreciation and amortization	<u>\$ 243,951</u>	<u>\$ 632,984</u>	<u>(\$ 79,372)</u>	<u>\$ 12,032,750</u>
Income expense	<u>\$ 390,343</u>	<u>\$ 965,766</u>	<u>\$ -</u>	<u>\$ 1,111,075</u>
Gain on investments accounted for using equity method	<u>\$ 1,962,278</u>	<u>(\$ 20,492,989)</u>	<u>\$ 50,316,751</u>	<u>\$ 2,243,159</u>
Segment assets	<u>\$ 30,819,614</u>	<u>\$ 57,580,432</u>	<u>(\$ 91,750,049)</u>	<u>\$ 406,561,137</u>
Segment liabilities	<u>\$ 3,421,742</u>	<u>\$ 12,748,627</u>	<u>(\$ 9,269,160)</u>	<u>\$ 336,989,074</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.

Items	Year ended December 31, 2021			
	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Property insurance segments
Revenue from external customers	\$ 133,489,557	\$ 11,522,435	\$ 24,025,459	\$ 10,152,267
Inter-segment revenue (Note)	15,556,959	685,537	1,154,494	70,840
Total segment revenue	<u>\$ 149,046,516</u>	<u>\$ 12,207,972</u>	<u>\$ 25,179,953</u>	<u>\$ 10,223,107</u>
Segment income (loss) (Note)	<u>\$ 18,709,403</u>	<u>\$ 3,954,393</u>	<u>\$ 2,390,731</u>	<u>\$ 1,080,595</u>
Depreciation and amortization	<u>\$ 104,054</u>	<u>\$ 227,608</u>	<u>\$ 9,630,630</u>	<u>\$ 180,836</u>
Income expense	<u>\$ 2,498,645</u>	<u>\$ 824,750</u>	<u>\$ 595,047</u>	<u>\$ 112,521</u>
Gain on investments accounted for using equity method	<u>\$ 8,286,264</u>	<u>\$ 371,092</u>	<u>\$ 412,417</u>	<u>\$ -</u>
Segment assets	<u>\$ 94,565,824</u>	<u>\$ 175,872,557</u>	<u>\$ 68,436,852</u>	<u>\$ 22,511,781</u>
Segment liabilities	<u>\$ 20,794,973</u>	<u>\$ 152,129,093</u>	<u>\$ 57,931,570</u>	<u>\$ 15,245,579</u>

Items	Year ended December 31, 2021			
	Overseas sales agent segments	Other segments	Reconciliation and elimination	Total
Revenue from external customers	\$ 26,214,187	\$ 41,513,130	\$ -	\$ 246,917,035
Inter-segment revenue (Note)	4,498,248	11,162,173	(33,128,251)	-
Total segment revenue	<u>\$ 30,712,435</u>	<u>\$ 52,675,303</u>	<u>(\$ 33,128,251)</u>	<u>\$ 246,917,035</u>
Segment income (loss) (Note)	<u>\$ 4,758,047</u>	<u>\$ 8,417,806</u>	<u>(\$ 14,340,316)</u>	<u>\$ 24,970,659</u>
Depreciation and amortization	<u>\$ 291,738</u>	<u>\$ 522,107</u>	<u>(\$ 204,035)</u>	<u>\$ 10,752,938</u>
Income expense	<u>\$ 468,978</u>	<u>\$ 912,628</u>	<u>\$ -</u>	<u>\$ 5,412,569</u>
Gain on investments accounted for using equity method	<u>\$ 2,949,450</u>	<u>\$ 4,258,746</u>	<u>(\$ 14,270,496)</u>	<u>\$ 2,007,473</u>
Segment assets	<u>\$ 31,912,335</u>	<u>\$ 58,902,992</u>	<u>(\$ 102,589,557)</u>	<u>\$ 349,612,784</u>
Segment liabilities	<u>\$ 5,064,765</u>	<u>\$ 9,420,184</u>	<u>(\$ 5,439,345)</u>	<u>\$ 255,146,819</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.

(5) Information on products and services

Revenue from external customers is primarily derived from the exclusive agent of Toyota and Hino products segment and leasing segment.

Details of revenue balance are as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales revenue	\$ 195,101,113	\$ 203,265,998
Rental revenue	17,510,561	15,296,543
Interest revenue	16,457,155	12,392,244
Premium	9,335,184	8,540,632
Others	8,077,826	7,421,618
	<u>\$ 246,481,839</u>	<u>\$ 246,917,035</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue (Note)</u>	<u>Non-current assets</u>	<u>Revenue (Note)</u>	<u>Non-current assets</u>
Taiwan	\$ 220,065,663	\$ 79,883,207	\$ 216,988,383	\$ 81,400,319
Mainland China	26,416,176	6,468,967	29,928,652	4,874,280
	<u>\$ 246,481,839</u>	<u>\$ 86,352,174</u>	<u>\$ 246,917,035</u>	<u>\$ 86,274,599</u>

Note: Revenue is categorized based on the locations of customers.

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	<u>Revenue</u>	<u>Segment</u>	<u>Revenue</u>	<u>Segment</u>
A	\$ 26,399,143	Distributor of Toyota and Hino	\$ 27,635,662	Distributor of Toyota and Hino
B	24,014,444	"	25,312,390	"
C	18,060,496	"	19,809,896	"
D	15,789,361	"	18,715,536	"

Ho Tai Motor Co., Ltd.

Loans to others

Year ended December 31, 2022

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

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 580,129	\$ 573,812	\$ 9,711	2.15%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 1,029,279	\$ 2,058,557	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	270,558	264,837	22,070	2.15%	"	-	"	-	"	-	414,325	828,649	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	135,279	132,418	-	2.15%	"	-	"	-	"	-	161,230	322,459	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	446,253	441,394	158,019	2.15%	"	-	"	-	"	-	643,099	1,286,198	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	566,741	560,571	100,638	2.15%	"	-	"	-	"	-	995,040	1,990,080	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,117	7,945	-	2.15%	"	-	"	-	"	-	11,321	22,642	"
7	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,586	7,504	7,062	2.15%	"	-	"	-	"	-	22,573	45,146	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	167,730	-	2.15%	"	-	"	-	"	-	287,521	575,042	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	176,558	86,955	2.15%	"	-	"	-	"	-	331,117	662,234	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	133,876	132,418	85,630	2.15%	"	-	"	-	"	-	196,154	392,308	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	401,628	397,255	79,010	2.15%	"	-	"	-	"	-	460,810	921,620	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	45,093	-	-	3.35%	"	-	"	-	"	-	92,162	184,324	Note 5
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	360,744	353,115	88,720	2.15%	"	-	"	-	"	-	497,889	995,777	Note 1
13	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	245,439	242,767	121,383	2.15%	"	-	"	-	"	-	321,606	643,212	"
14	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	89,251	88,279	-	2.15%	"	-	"	-	"	-	123,613	247,225	"
15	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	290,064	286,906	163,316	2.15%	"	-	"	-	"	-	331,298	662,596	"
16	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	334,690	331,046	98,872	2.15%	"	-	"	-	"	-	428,382	856,763	"
17	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	156,189	154,488	-	2.15%	"	-	"	-	"	-	258,031	516,063	"
18	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	36,074	35,312	22,070	2.15%	"	-	"	-	"	-	49,718	99,437	"
19	Shanghai Zhongxin Traffic Facility Engineering Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	11,156	11,035	-	2.15%	"	-	"	-	"	-	30,218	60,437	"
20	Tianjin Ho-Yu Toyota Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,313	22,070	-	2.15%	"	-	"	-	"	-	44,890	89,779	Note 3
21	Shanghai Fengyi Construction Decoration Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	26,775	26,484	-	2.15%	"	-	"	-	"	-	53,357	106,714	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	563,662	529,673	259,837	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Yu Motor Service Co., Ltd.	"	Y	225,465	198,627	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	178,501	176,558	134,168	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended December 31, 2022	Balance at December 31, 2022	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
													Item	Value			
22	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Other receivables	Y	\$ 293,104	\$ 264,837	\$ -	2.70%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 9,427,990	\$ 18,855,979	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	90,186	88,279	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	9,019	8,828	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	"	Y	13,528	13,242	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	225,465	220,697	129,682	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	180,372	176,558	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	45,093	44,139	-	3.20%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	473,476	397,255	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	331,046	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	135,279	132,418	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	225,465	220,697	27,587	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	331,046	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	225,465	220,697	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	180,372	154,488	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	45,093	44,139	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Traffic Facility Engineering Co.,Ltd.	"	Y	133,876	132,418	-	2.70%	"	-	"	-	"	-	9,427,990	18,855,979	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	Y	180,372	154,488	12,668	2.70%	"	-	"	-	"	-	1,885,598	3,771,196	Note 4
22	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	"	Y	133,876	132,418	28,073	2.70%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	89,251	88,279	7,636	2.70%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	892,506	882,788	441,394	3.20%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	135,279	-	-	3.35%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	135,279	-	-	3.35%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	133,876	132,418	132,418	3.20%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	"	Y	90,186	-	-	3.35%	"	-	"	-	"	-	1,885,598	3,771,196	"
22	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	Y	67,639	-	-	3.35%	"	-	"	-	"	-	1,885,598	3,771,196	"
23	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	225,465	-	-	4.10%	"	-	"	-	"	-	5,471,827	10,943,654	Note 6
24	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Y	2,000,000	2,000,000	-	1.28%	"	-	"	-	"	-	2,948,130	5,896,260	Note 7
24	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Y	2,000,000	2,000,000	-	1.48%	"	-	"	-	"	-	2,948,130	5,896,260	"
25	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	Y	30,000	30,000	30,000	2.06%	"	-	"	-	"	-	97,122	194,244	Note 8

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the year ended	Balance at	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
					December 31, 2022	December 31, 2022							Item	Value			
25	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	Other receivables	Y	\$ 40,000	\$ 40,000	\$ 40,000	2.06%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 97,122	\$ 194,244	Note 8
25	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	Y	30,000	30,000	30,000	2.06%	"	-	"	-	"	-	97,122	194,244	"
26	He Jing Co., Ltd.	A Co., Ltd.	Receivables	N	20,000	20,000	-	5.00%	"	-	"	-	Stock	23,090	92,725	185,450	Note 9
26	He Jing Co., Ltd.	B Co., Ltd.	"	N	30,000	30,000	-	5.00%	"	-	"	-	"	36,000	92,725	185,450	"

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 200% of the creditor's net value. The limit on loans to a single entity is 100% of the company's total equity.

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

Note 3: The limit on total loans to the creditor (Tianjin Ho-Yu Motor Sales and Service Co., Ltd. and Shanghai Fengyi Construction Decoration Co., Ltd.) and borrower (Hotong Motor Investment Co., Ltd.) for operations short-term financing is prescribed in the Hotong Motor Investment Co., Ltd.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 4: The limit on total loans to the creditor (HOTONG MOTOR INVESTMENT CO., LTD.) and borrower (Tianjin Ho-Yu Motor Sales and Service Co., Ltd., Qingdao Heling Lexus Automobile Sales Service Co., Ltd., Nanjing HoZhan Motor Sales and Service Co., Ltd., Hoyun International Lease Co., Ltd., Beijing Helir Lexus Motor Sales & Service Co., Ltd., Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd., Tianjin Binhai Heling LEXUS Motor Service Co., Ltd., Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the Hotong Motor Investment CO., LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 5: The limit on total loans to the creditor (Chongqing Heling Lexus Motor Sales & Service Co., Ltd.) and borrower (Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the Chongqing Heling Lexus Motor Sales & Service Co., Ltd.'s Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 6: For loans granted by Hoyun International Leasing Co., Ltd. to foreign companies whose voting rights are 100% owned directly and indirectly by the parent company, ceiling on total loans granted is 200% of the total shareholders' equity and limit on loans granted to a single party is 100% of the total shareholders' equity.

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

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

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

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Year ended December 31, 2022

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

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022	Outstanding endorsement/ guarantee amount at December 31, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Note 4.b	\$ 12,529,496	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	11.97%	\$ 20,882,494	Y	N	N	Note 2
0	Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	12,529,496	400,000	400,000	90,000	-	0.96%	20,882,494	Y	N	N	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	Note 4.a	29,481,299	2,254,647	2,206,971	1,069,855	-	7.49%	29,481,299	Y	N	Y	Note 3
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	29,481,299	515,934	506,666	384,625	-	1.72%	29,481,299	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	29,481,299	2,000,000	2,000,000	-	-	6.78%	29,481,299	Y	N	N	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	29,481,299	10,500,000	10,500,000	7,200,000	-	35.62%	29,481,299	Y	N	N	"

Note 1 : The numbers are classified as follows:

- a. The issuer is numbered "0".
- b. The Investees are numbered starting from "1".

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

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

Note 4 : Relationship between the endorser/guarantor:

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

Ho Tai Motor Co., Ltd.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2022

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

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote	
				Number of shares	Book value	Ownership (%)	Fair value		
Ho Tai Motor Co., Ltd.	Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current	21,132,585	\$ 641,374	0.15%	\$ 641,374		
	- Toyota Motor Corporation	-	"	15,956,000	6,721,066	0.10%	6,721,066		
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	132,410	0.00%~0.42%	132,410		
	Taian Insurance Co., Ltd. Etc.	-	"	-	350,597	0.42%~9.27%	350,597		
				Total		\$ 7,845,447		\$ 7,845,447	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current	-	\$ 500,000	-	\$ 500,000		
	Stock - Toyota Motor Corporation	-	Financial assets at fair value through profit or loss - current	1,151,500	538,065	0.01%	485,041		
				Valuation adjustment of financial assets		(53,024)		-	
				Total		\$ 985,041		\$ 985,041	
	Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,519	0.50%	\$ 3,519	
Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund		Not applicable	Financial assets at fair value through profit or loss - current	952,327	\$ 10,000	-	\$ 10,002		
			Valuation adjustment of financial assets		2		-		
			Total		\$ 10,002		\$ 10,002		
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,611	0.06%~0.50%	\$ 3,611		
	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	35,338,389	\$ 370,000	-	\$ 371,148		
			Valuation adjustment of financial assets		1,148		-		
			Total		\$ 371,148		\$ 371,148		
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,135	-	\$ 2,135		
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,611	0.06%~0.50%	3,611		
			Total		\$ 5,746		\$ 5,746		
	PSC DSU 100% Principle Guaranteed (USD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 303,187	-	\$ 304,875		
	PSC DSU 100% Principle Guaranteed (TWD)	Not applicable	"	-	400,000	-	400,000		
			Valuation adjustment of financial assets		1,688		-		
			Total		\$ 704,875		\$ 704,875		
Ho Tai Service & Marketing Co., Ltd	Beneficiary certificates - BOT Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	1,853,787	\$ 22,000	-	\$ 22,536		
			Valuation adjustment of financial assets		536		-		
			Total		\$ 22,536		\$ 22,536		

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				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	-	\$ 3,519	0.50%	\$ 3,519			
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,519	0.50%	\$ 3,519			
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	-	\$ 23,499	10.48%	\$ 23,499			
Hotai Connected Co., Ltd	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	9,550,095	\$ 100,000	-	\$ 100,302			
			Beneficiary certificates - Mega Diamond Money Market Fund	Not applicable	"	6,300,502	80,000	-	80,305	
			Valuation adjustment of financial assets			607		-		
			Total		\$ 180,607		\$ 180,607			
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	9,550,916	\$ 100,000	-	\$ 100,310			
			Beneficiary certificates - Mega Diamond Money Market Fund	Not applicable	"	4,725,823	60,000	-	60,235	
			Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	"	1,531,716	17,061	-	17,122	
			Valuation adjustment of financial assets			606		-		
			Total		\$ 177,667		\$ 177,667			
ChyuanAn Transport Co.,Ltd	CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	900,181	\$ 10,027	-	\$ 10,063			
			Valuation adjustment of financial assets			36		-		
			Total		\$ 10,063		\$ 10,063			
YuCheng Transport Co.,Ltd	CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	1,346,680	\$ 15,000	-	\$ 15,054			
			Valuation adjustment of financial assets			54		-		
			Total		\$ 15,054		\$ 15,054			
He Jing Co., Ltd.	Beneficiary certificates - Taishin 1699 Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	21,794,089	\$ 300,000	-	\$ 300,000			
			Valuation adjustment of financial assets			-		-		
			Total		\$ 300,000		\$ 300,000			

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

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

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal			Gain (loss) on disposal	Balance as at December 31, 2022		Footnote
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value		Number of shares	Amount	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Investments accounted for using equity method	He Jun Energy Co., Ltd.	Subsidiaries	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	Note 2
Hotai Motor Co., Ltd.	Hotai Connected Co., Ltd.	Investments accounted for using equity method	Hoyu Investment Co., Ltd. Etc.	Associates/Subsidiaries	-	-	-	-	-	-	-	-	-	-	Note 3
Hotai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Investments accounted for using equity method	Hotai Insurance Co., Ltd.	Subsidiaries	-	-	-	-	-	-	-	-	-	-	Note 4
Carmax Co., Ltd.	Franklin U.S. Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	35,665,722	370,000	35,338,389	370,000	35,665,722	373,420	370,000	3,420	35,338,389	371,148	
Toyota Material Handling Taiwan Ltd.	Franklin U.S. Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	49,471,383	506,728	-	-	49,471,383	517,881	506,728	11,153	-	-	
Hotai Finance Co., Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	107,163,492	1,700,000	107,163,492	1,700,315	1,700,000	315	-	-	
Hotai Finance Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	327,937,006	4,500,000	327,937,006	4,501,577	4,500,000	1,577	-	-	
Hotai Finance Co., Ltd.	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	116,031,997	1,800,000	116,031,997	1,800,310	1,800,000	310	-	-	
Hotai Finance Co., Ltd.	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	34,704,147	500,000	34,704,147	500,108	500,000	108	-	-	
Hotai Finance Co., Ltd.	Hua Nan Kirin Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	246,937,969	3,000,000	246,937,969	3,000,445	3,000,000	445	-	-	
Hotong Motor Investment Co., Ltd.	Structured deposit-Cathay United Bank	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	217,136	-	450,929	-	675,169	666,029	9,140	-	-	
He Jing Co., Ltd.	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	18,178,788	300,000	18,178,788	300,106	300,000	106	-	-	
He Jing Co., Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	69,064,445	950,000	47,270,356	650,260	650,000	260	21,794,089	300,000	
Ho Tai Development Co., Ltd.	PSC DSU 100% Principle Guaranteed (USD)	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	612,974	-	311,498	309,787	1,711	-	304,875	
Ho Tai Development Co., Ltd.	PSC DSU 100% Principle Guaranteed (TWD)	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	800,000	-	401,464	400,000	1,464	-	400,000	
Hotai Connected Co., Ltd.	Franklin U.S. Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	3,325,555	34,602	24,849,790	260,000	18,625,250	194,982	194,602	380	9,550,095	100,302	

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

Note 2: In February, 2022, the Company's subsidiary, Hotai Finance Co., Ltd. participated in the capital increase of He Jun Energy Co., Ltd. Please refer to Note 9 for details.

Note 3: In January, 2022, the Company disposed 30% of the shares of Hotai Connected Co., Ltd. to Ho Yu Investment Co., Ltd., Kuotu Motor Co., Ltd., Taipei Toyota Motor Co., Ltd., Tau Miao Motor Co., Ltd., Central Motor Co., Ltd., Nan Du Motor Co., Ltd., Kau Du Automobile Co., Ltd., Lang Yang Toyota Motor Co., Ltd. and Eastern Motor Co., Ltd.

Note 4: In October and November, 2022, the Company participated in the capital increase of the Company's subsidiary, Hotai Insurance Co., Ltd. Please refer to Note 9 for details.

Ho Tai Motor Co., Ltd.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2022

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

Table 5

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	last transaction of the real estate is disclosed below:			Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments	
							Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction				
Hotai Insurance Co., Ltd.	14 parking spaces and second floor in No.150 and No.152 Section 4, Chengde Road, Shilin Dist., Taipei City	June 15, 2022	\$ 404,809	Paid in full	Fresh Nature International Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None
Chang Yuan Motor Co., Ltd.	Lingang E. Rd., Longjing Dist., Taichung City	July 26, 2022	\$ 446,000	Paid in full	Shan Feng Foods Industrial Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None

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

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

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

Ho Tai Motor Co., Ltd.

Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more

Year ended December 31, 2022

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

Table 6

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 26,333,323	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 508,745	17%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	23,949,420	19%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	455,771	15%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	18,016,069	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	376,920	12%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	18,012,052	14%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	322,999	11%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	15,715,194	12%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	365,864	12%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	16,211,847	13%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	318,258	10%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	3,340,289	3%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Not applicable	"	495,498	9%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	2,691,601	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	"	49,809	2%	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	2,658,084	2%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	55,369	2%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	1,117,954	1%	Collection at sight	"	"	66,700	2%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	"	133,899	-	Collection at sight	"	"	13,640	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	37,759,395	32%	Closes its accounts 15 days after the end of each month	Not applicable	"	(3,499,835)	40%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	48,293,126	41%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(924,946)	11%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,938,421	2%	Closes its accounts 16 days after the end of each month	"	"	(428,842)	5%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	"	4,279,240	4%	Closes its accounts 15 days after the end of each month	"	"	(483,221)	6%	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	"	"	323,829	-	Closes its accounts 15 days after the end of each month	"	"	(4,373)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	"	"	924,034	1%	Closes its accounts 15 days after the end of each month	"	"	(1,049)	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	Purchases	\$ 1,037,747	1%	Closes its accounts 16 days after the end of each month	Not applicable	Normal	(\$ 113,884)	1%	
Ho Tai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	"	864,264	1%	Closes its accounts 15 days after the end of each month	"	"	(1,300)	-	
Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	Subsidiary	Sales	664,789	3%	Collection at sight	Normal	"	58,905	2%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	"	475,406	2%	Collection at sight	"	"	36,574	2%	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	165,991	1%	Closes its accounts on the next Monday and Wednesday after the end of each week	"	"	16,356	1%	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	;	68%	Closes its accounts on the next Monday and Wednesday after the end of each week	Not applicable	Not applicable	(336,001)	40%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	3,340,289	15%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(495,498)	9%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	"	506,855	72%	Closes its accounts 15 days after the end of each month	"	"	(30,042)	37%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	616,059	90%	Closes its accounts 10 days after the end of each month	Normal	Normal	55,985	-	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	1,938,421	30%	Closes its accounts 16 days after the end of each month	"	"	428,842	5%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	1,223,409	16%	Closes its accounts 10 days after the end of each month	"	"	262,009	18%	
Carmax Co., Ltd.	Tau Jing Motor Co., Ltd.	"	"	150,134	2%	Closes its accounts 10 days after the end of each month	"	"	27,696	18%	
Carmax Co., Ltd.	Zhonghao Motor Co., Ltd.	"	"	150,646	2%	Closes its accounts 10 days after the end of each month	"	"	38,075	3%	
Carmax Co., Ltd.	Innovation AUTO Parts Co., Ltd.	"	"	105,595	1%	Closes its accounts 25 days after the end of each month	"	"	11,887	1%	
Carmax Co., Ltd.	Wang Fu Co., Ltd.	"	"	136,644	2%	Closes its accounts 35 days after the end of each month	"	"	27,547	2%	
Carmax Co., Ltd.	Zhongyang Motor Co., Ltd.	"	"	133,614	2%	Closes its accounts 35 days after the end of each month	"	"	33,536	2%	
Carmax Co., Ltd.	Gao Zhi Motor Co., Ltd.	"	"	103,305	1%	Closes its accounts 10 days after the end of each month	"	"	10,977	1%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Purchases	133,899	2%	Closes its accounts 16 days after the end of each month	"	"	(13,640)	1%	
Carmax Co., Ltd.	AIM Technology Co., Ltd.	Associates	"	1,428,006	24%	Closes its accounts 21 days after the end of each month	"	"	108,664	13%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	"	616,059	10%	Closes its accounts 10 days after the end of each month	"	"	(55,985)	-	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	"	"	246,943	4%	Closes its accounts 30 days after the end of each month	"	"	(56,094)	-	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	3,360,900	34%	Payment at sight	"	"	(6,116)	4%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,450,012	12%	Payment at sight	"	"	(80,068)	18%	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	1,117,954	12%	Payment at sight	"	"	(66,700)	-	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	1,134,283	12%	Payment at sight	"	"	(6,443)	4%	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	849,652	9%	Payment at sight	"	"	(14,940)	3%	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	716,029	8%	Payment at sight	"	"	(37,711)	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	475,406	5%	Payment at sight	"	"	(36,574)	-	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	465,427	5%	Payment at sight	"	"	-	-	"
Hotai Leasing Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	112,376	1%	Payment at sight	"	"	-	-	"

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction		Percentage of total purchases (sales)	Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount			Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Purchases	\$ 2,658,084	91%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	(\$ 55,369)	82%	
He Jing Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	664,789	100%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(58,905)	-	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	"	435,805	4%	Closes its accounts 26 days after the end of each month	"	"	(43,718)	-	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	"	267,654	2%	Closes its accounts 60 days after the end of each month	"	"	(20,688)	-	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	Parent company	Sales	267,654	34%	Closes its accounts 60 days after the end of each month	"	"	20,688	61%	
Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	435,805	94%	Closes its accounts 26 days after the end of each month	"	"	43,718	100%	
Hotai Transport Co., Ltd.	Ho Tai Development Co., Ltd.	"	"	145,508	100%	Closes its accounts 26 days after the end of each month	"	"	14,454	100%	
Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Subsidiary	"	153,572	72%	Closes its accounts 26 days after the end of each month	"	"	-	-	
Carmax Auto Tech (Shanghai) Co., Ltd.	Hotong Motor Investment Co., Ltd.	Associates	"	161,524	35%	Closes its accounts 30 days after the end of each month	"	"	10,131	15%	
Carmax Auto Tech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	Parent company	"	246,943	53%	Closes its accounts 30 days after the end of each month	"	"	56,094	70%	
Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	Associates	"	143,613	4%	Collection at sight	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Subsidiary	"	142,510	9%	Collection in advance	"	"	-	-	
Shanghai Hozhan Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	132,679	7%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	2,002,934	100%	Payment in advance	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,792,661	95%	Payment in advance	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,449,686	97%	Payment in advance	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,185,115	95%	Payment in advance	"	"	-	-	
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,778,928	84%	Payment in advance	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	2,473,884	90%	Payment in advance	"	"	-	-	
Shanghai Jiading Heling Lexus MOTOR Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	923,124	89%	Payment in advance	"	"	-	-	
Tianjin Heyi International Trading Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Parent company	"	142,510	27%	Payment in advance	"	"	-	-	
Hoyun International Lease Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Associates	"	143,613	88%	Payment in advance	"	"	-	-	
Hotong Motor Investment Co., Ltd.	Carmax Auto Tech (Shanghai) Co., Ltd.	"	"	161,524	92%	Closes its accounts 30 days after the end of each month	"	"	-	-	

Note: Hotai Leasing Co., Ltd., Hoing Mobility Service Corporation and Hoyun International Lease Co., Ltd., purchased vehicles from parent company and associates for renting services, the related assets are reported under property, plant, and equipment.

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

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 508,745	62.16	\$ -	-	\$ 508,745	\$ -
			Other receivables	12,403				12,403	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	455,771	61.74	-	-	455,771	-
			Other receivables	11,103				11,103	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	495,498	12.20	-	-	495,498	-
			Other receivables	24,123				24,123	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	376,920	59.34	-	-	376,920	-
			Other receivables	2,917				2,917	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	318,258	56.92	-	-	318,258	-
			Other receivables	7,933				7,933	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	322,999	60.86	-	-	322,999	-
			Other receivables	8,588				8,588	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	365,864	69.95	-	-	365,864	-
			Other receivables	68,984				68,984	
Carmax Co., Ltd.	Kuozui Motor Co., Ltd.	"	Accounts receivable	262,009	4.65	-	-	262,009	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	428,842	4.37	-	-	428,842	-

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

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 3,340,289	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,760,027	Closes its accounts 16 days after the end of following two months	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	495,498	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	81,101		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	2,658,084	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Accounts receivable	55,369	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	428,842	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	133,899	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	1,117,954	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	66,700		-
0	Ho Tai Motor Co., Ltd.	Hoing Mobility Service Corporation	1	Sales revenue	54,279	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	167,625	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	YuCheng Transport Co.,Ltd	1	Sales revenue	53,799		-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	Sales revenue	86,328	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	475,406	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Accounts receivable	36,574		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Sales revenue	664,789		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Accounts receivable	58,905		-
1	Chang Yuan Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	3	Accounts payable	33,367		-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	218,674		-
3	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Sales revenue	246,943	Closes its accounts 30 days after the end of each month	-
3	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Accounts receivable	56,094		-
4	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	88,720	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	121,383	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	158,019	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	27,505	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	163,316	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	28,763	Closes its accounts 30 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	
4	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	\$ 98,872	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	46,604	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	129,682	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	85,630	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	441,394	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	134,168	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	3	Other payables	100,638	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	86,955	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	259,837	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	52,070	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Other receivables	27,587	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	79,010	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	35,995	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	163,316	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	28,763	Closes its accounts 30 days after the end of each month	-
4	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,LTD.	3	Other receivables	28,073	Closes its accounts 30 days after the end of each month	-
5	Hotai Leasing Co., Ltd.	Hoing Mobility Service Co. Ltd.	3	Sales revenue	301,553		-
5	Hotai Leasing Co., Ltd.	Hoing Mobility Service Co. Ltd.	3	Accounts receivable	43,010		-
6	Tianjin Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	74,079		-
7	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	143,613		-
8	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	34,119		-
8	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	47,882		-
8	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Sales revenue	29,325		-
8	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	46,860		-
9	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	85,878		-
9	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Sales revenue	37,963		-
10	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Rental income	27,518		-
11	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	27,770		-
12	Nanjing HoZhan Motor Sales and Service Co.,LTD.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	45,036		-
13	Tianjin Ho-Yu Toyota Sales & Service Co.,Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	3	Sales revenue	35,965		-

Table 8, Page 2

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
13	Tianjin Ho-Yu Toyota Sales & Service Co.,Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	3	Sales revenue	\$ 29,969		-
14	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	33,262		-
15	Shanghai Hoyu Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	87,877		-
16	Shanghai Heling Motor Service Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	66,618		-
17	Hoing Mobility Service Co. Ltd.	Hotai Leasing Co., Ltd.	3	Rental income	95,503		-
17	Hoing Mobility Service Co. Ltd.	Hotai Leasing Co., Ltd.	3	Other payables	41,648		-
18	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	267,654	Closes its accounts 60 days after the end of each month	-
19	Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	3	Accounts payable	43,718		-
20	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	616,059		-
20	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Accounts receivable	55,985	Closes its accounts 10 days after the end of each month	-
20	Smart Design Technology Co., Ltd.	Hoing Mobility Service Co. Ltd.	3	Sales revenue	28,177		-
21	Long Day Moving House & Portering Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	27,620		-
22	Hotai Auto Body Manufacturing Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	49,737		-
23	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	445,513		-
23	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Accounts receivable	43,765		-
24	3A Express Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	42,095		-
25	Ho Tai Transportation Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	145,508		-
26	Hotai Auto Body Manufacturing Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	49,718		-
26	Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	3	Sales revenue	153,572		-
27	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	3	Property, plant and equipment, other non-current assets	138,002	Transaction by contracts	-
27	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Management fee income	42,074	Transaction by contracts	-
28	Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Car Leasing Co., Ltd.	3	Rental income	25,577	Transaction by contracts	-
29	He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	3	Other receivables	30,000	Accounts receivable financing	-
29	He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	3	Other receivables	40,000	Accounts receivable financing	-
29	He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	3	Other receivables	30,000	Accounts receivable financing	-

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

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

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

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

Note 3 : 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)
Year ended December 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,204,622	\$ 7,201,122	527,947,384	100.00	\$ 15,195,879	(\$ 21,674,734)	(\$ 21,674,734)	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	5,970,350	3,398,122	1,013,050	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	26,000,000	-	2,600,000,000	92.86	(3,202,898)	(36,907,140)	(13,861,926)	Sub-subsiary
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,344,238	3,344,238	108,897,360	100.00	9,620,120	809,524	809,524	"
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	4,625,700	716,151	716,151	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,754,483	1,070,899	211,105	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	3,784,423	1,266,605	569,712	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	1,811,818	1,083,062	211,939	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	1,464,963	601,957	114,188	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,779,875	1,120,206	571,305	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,792	6,474	971	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	1,297,293	529,770	184,413	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,450,904	905,179	182,665	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,208,004	775,070	183,459	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	"	50,000	50,000	79,578,810	100.00	1,144,871	165,835	165,835	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	"	80,000	80,000	41,715,847	100.00	499,962	53,716	53,716	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	307,402	94,120	18,142	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	398,926	10,298	4,576	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	126,581	28,008	5,921	"
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	101,283	69,002	17,251	"
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	34,391	28,091	5,618	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	615,342	879,060	79,100,000	70.00	577,732	98,409	71,720	"
Ho Tai Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	500,000	500,000	50,000,000	50.00	508,922	13,744	6,872	"
Ho Tai Motor Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	"	Car sales business	37,010	-	4,000,000	100.00	37,656	166	646	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power related business	180,000	-	18,000,000	18.00	174,820	(28,775)	(5,180)	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	107,485	107,485	3,500,000	70.00	157,114	(9,946)	-	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	"	"	36,852	36,852	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	11,133,370	3,623,387	-	Sub-subsiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,535,624	1,080,397	-	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Footnote
				Balance at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	\$ 34,756	\$ 34,756	3,823,128	18.29	\$ 426,028	\$ 97,243	\$ -	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	-	125	529,770	-	Sub-subsidiary
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd	Taiwan	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	7.13	(245,892)	(36,907,140)	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	338,449	124,339	-	Sub-subsidiary
Hotai Finance Co., Ltd.	Hoyun International Limited	British Virgin Islands	"	1,240,684	1,240,684	40,400,000	50.50	2,763,900	884,368	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	342,634	52,515	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	120,000	120,000	12,000,000	27.40	91,148	(43,801)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	810,000	810,000	81,000,000	81.00	751,075	(60,947)	-	"
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power related business	800,000	-	80,000,000	80.00	776,980	(28,775)	-	"
He Jun Energy Co., Ltd.	Weitien Energy Storage Technology Co., Ltd.	"	Energy storage related business	22,000	-	2,200,000	100.00	21,539	(461)	-	"
He Jun Energy Co., Ltd.	Zheng-Ren Energy Co.,Ltd	"	Solar power related business	31,850	-	3,185,000	35.00	24,354	(21,507)	-	Sub-subsidiary's investee company accounted for using the equity method
He Jun Energy Co., Ltd.	Chaoyang Energy Co., Ltd.	"	"	9,781	-	900,000	90.00	9,625	1,212	-	Sub-subsidiary
He Jun Energy Co., Ltd.	Guang Yang Energy Co., Ltd.	"	"	116	-	9,000	90.00	106	453	-	"
He Jun Energy Co., Ltd.	XianYao Energy Co., Ltd.	"	"	1,066	-	9,000	90.00	718	522	-	"
Hotai Leasing Co., Ltd.	Hoyun International Limited	British Virgin Islands	General investment	1,216,116	1,216,116	39,600,000	49.50	2,708,330	884,368	-	"
Hotai Connected Co., Ltd	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	300,000	300,000	30,000,000	49.18	331,577	52,514	-	"
Hotai Connected Co., Ltd	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000	41.10	134,654	(43,801)	-	"
Hotai Connected Co., Ltd	Ho Young Travel Agency Co., Ltd.	"	Travel agency	10,000	-	1,000,000	100.00	10,742	742	-	"
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	35,727	293	-	"
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	39,225	39,225	7,000,000	100.00	98,178	1,111	-	"
Chang Yuan Motor Co., Ltd.	Hotai AutoBody Manufacturing Co., Ltd.	"	Car assembly business	200,000	200,000	20,000,000	20.00	203,563	13,744	-	Subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	107,705	29,345	-	"
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products and accessories	38,500	38,500	3,850,000	35.00	41,515	6,474	-	Investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	92,130	92,130	3,000,000	100.00	106,080	(2,820)	-	Sub-subsidiary
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	Taiwan	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	697	2,458	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	"	Repairing of air conditioning equipment and trading of their parts	100,000	100,000	27,190,239	100.00	864,674	87,185	-	Sub-subsidiary
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	50,000	5,000,000	100.00	111,194	15,429	-	"
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	119,134	70,005	-	"
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	697	2,458	-	Subsidiary's investee company accounted for using the equity method
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	Freight forwarders	10,000	10,000	1,000,000	100.00	24,180	11,940	-	Sub-subsidiary
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	71,202	43,082	-	"
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	10,359	4,277	-	"
Eastern Motor Co., Ltd.	Daleon Auto Parts And Accessories Corporation	"	"	500	500	50,000	100.00	982	456	-	"
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce transaction platform service	5,650	-	565,000	0.50	5,650	98,409	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	3,000	3,000	300,000	0.68	3,000	(43,801)	-	Sub-subsidiary
Hotai AutoBody Manufacturing Co., Ltd.	Hotai AutoBody Sales Co., Ltd.	"	Sales of vehicle bodies	-	40,000	-	-	-	166	-	Subsidiary

Ho Tai Motor Co., Ltd.
Information on investments in Mainland China-Basic information

Year ended December 31, 2022

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

Table 10

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote	
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China								
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 3,932,262	Note 2	\$ 1,887,130	\$ -	\$ 663,016	\$ 1,224,114	\$ 880,997	100.00	\$ 880,997	\$ 9,427,989	\$ 671,371	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	103,493	"	103,493	-	-	103,493	97,894	100.00	97,894	414,325	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	"	132,417	"	11,286	-	-	11,286	-	10.48	-	11,286	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	"	92,130	"	30,710	-	-	30,710	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	184,260	"	184,260	-	-	184,260	140,280	100.00	140,280	460,810	-	"
Shanghai Hozhan Motor Service Co., Ltd.	"	92,130	"	92,130	-	-	92,130	31,044	100.00	31,044	161,230	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	"	153,550	"	107,485	-	-	107,485	(9,946)	70.00	(6,962)	157,114	-	"
Shanghai Heling Motor Service Co., Ltd.	"	107,485	Note 3	80,614	-	-	80,614	348,719	100.00	348,719	1,029,278	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	"	132,417	Note 2	12,092	-	-	12,092	-	10.48	-	12,092	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	184,260	"	184,260	-	-	184,260	12,029	100.00	12,029	193,233	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	419,192	"	285,603	-	-	285,603	(5,552)	100.00	(5,552)	258,031	-	"
Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	"	44,139	Note 3	-	-	-	-	938	100.00	938	49,718	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	178,118	Note 2	178,118	-	-	178,118	68,290	100.00	68,290	331,298	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	"	199,615	"	199,615	-	-	199,615	155,956	100.00	155,956	428,382	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,456,800	"	2,456,800	-	-	2,456,800	884,368	55.61	491,821	3,043,170	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	220,696	Note 3	-	-	-	-	18,311	55.61	10,183	149,746	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	662,091	"	-	-	-	-	35,200	55.61	19,576	323,207	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	92,130	Note 2	92,130	-	-	92,130	(2,820)	45.01	(1,269)	47,744	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	368,520	Note 3	-	-	-	-	113,140	100.00	113,140	497,889	-	"
Tianjin Hozhan Motor Service Co., Ltd.	"	302,794	"	-	-	-	-	15,412	100.00	15,412	321,606	-	"
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	"	368,520	"	-	-	-	(18,741)	(6,559)	35.00	(6,559)	53,405	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	40,844	Note 1	40,844	-	-	40,844	45,152	51.00	23,028	180,816	-	"
Guangzhou Gac Changho Autotech Corporation	"	98,067	"	44,130	-	-	44,130	52,002	22.95	11,934	44,005	131,149	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Accumulated amount of remittance from Taiwan to	Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022							
				Mainland China as of January 1, 2022	Remitted to Mainland China							
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	\$ 307,100	Note 3	\$ -	\$ -	\$ -	\$ 42,936	35.00	\$ 15,028	\$ 160,233	\$ -	Note 2.3
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	460,650	"	-	-	-	40,514	35.00	14,180	219,610	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	368,520	"	-	-	-	36,350	35.00	12,723	213,759	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	429,940	Note 3	-	-	-	(28,140)	35.00	(9,849)	42,230	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,538	"	-	-	-	(479)	71.43	(342)	(1,115)	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,414	"	-	-	-	527	100.00	527	11,321	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	471,849	"	-	-	-	126,185	100.00	121,989	704,477	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	1,015,197	"	-	-	-	2,370	100.00	2,370	995,040	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	13,242	"	-	-	-	589	100.00	589	22,573	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	88,278	"	-	-	-	11,980	100.00	11,980	123,613	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	44,139	"	-	-	-	(25,955)	50.00	(12,978)	(11,954)	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	307,100	"	-	-	-	(8,802)	100.00	(8,802)	287,521	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	322,455	"	-	-	-	23,058	100.00	23,058	331,117	-	"
Tianjin Binhai Heling LEXUS Motor Service Co.,Ltd.	Sales and repairing of vehicles	132,417	"	-	-	-	(1,248)	35.00	(437)	42,440	-	"
Tianjin Yongda Communication Technology Co., LTD.	Trading of vehicle products / accessories and property management	259,449	"	-	-	-	704	35.00	(3,523)	167,566	-	"
Nanjing HoZhan Motor Sales and Service Co.,LTD.	Sales and repairing of vehicles	132,417	"	-	-	-	(911)	70.00	(638)	91,771	-	"
Shanxi Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	132,053	"	-	-	-	6	35.00	2	42,835	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,070	"	-	-	-	9,884	100.00	(3,498)	485,087	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	"	247,178	"	-	-	-	(2,113)	70.00	(15,603)	633,979	-	"
Tianjin Hekang Equipment Leasing Co., Ltd.	Leasing business	750,363	"	-	-	-	1,732	100.00	1,732	751,968	-	"
Qingdao Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	308,973	"	-	-	-	(13,935)	70.00	(9,754)	206,555	-	"
Hangzhou Yiyou Network Technology Co.Ltd.	Leasing business	441	"	-	-	-	-	55.61	-	3,596	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2022			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2022	Book value of investment in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China	Remitted back to Taiwan							
Hangzhou Youyou Technology Co., Ltd.	Leasing business	\$ 441	Note 3	\$ -	\$ -	\$ -	\$ -	-	\$ 55.61	\$ -	\$ 1,043	\$ -	Note 2.3
Hemei (Suzhou) Management Advisory Services Co., Ltd.	Advisory service	441	"	-	-	-	-	-	55.61	-	245	-	"

Note 1: The investmets are classified as follows:

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

Note 2: The amount of investment income (loss) recognized for the year ended December 31, 2022 is based on:

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

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 3,188,462	\$ 6,436,465	\$ 41,743,237

Ho Tai Motor Co., Ltd.
Major shareholders information
Year ended December 31, 2022

Table 11

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%